Centre for Policy Studies

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CHANGING TRACK

How to rescue the railways after the pandemic

By Tony Lodge

SUMMARY

- During the pandemic, rail journeys in Britain fell from 1.7 billion to 388 million – the lowest level of passenger usage since data was first collected in 1872.
- This led to an unprecedented revenue crisis, which has seen taxpayers footing a £14bn bill to keep the trains running.
- There is no going back to the old world. Five-day peak hour commuting is now just 15% of the previous total. But long distance leisure travel has held up much better.
- To avoid a spiral of decline and underinvestment, we need to refocus the rail network on passengers' new priorities – including a sea change in how the industry thinks about and markets its product.
- Today there are more than 2,700 different ticket types, more than 1,000 unique ticket names and over 600 restrictions. We need ticketing to be far simpler, far more flexible on prices – including the abolition of the peak/off-peak divide – and far more digital.
- Open-access competition on the East Coast Main Line has delivered dramatic savings for consumers and has seen passengers return more quickly. It should be expanded. Likewise, HS1 and HS2 should have two competing rail operators.
- Rail freight is now the clear low-carbon alternative to HGVs and road haulage. Ambitious new targets should be set to treble its volume.
- Ministers must also revive plans to encourage the private sector to invest in and deliver new rail infrastructure. This may involve pushing back full electrification in order to deploy resources elsewhere.

INTRODUCTION

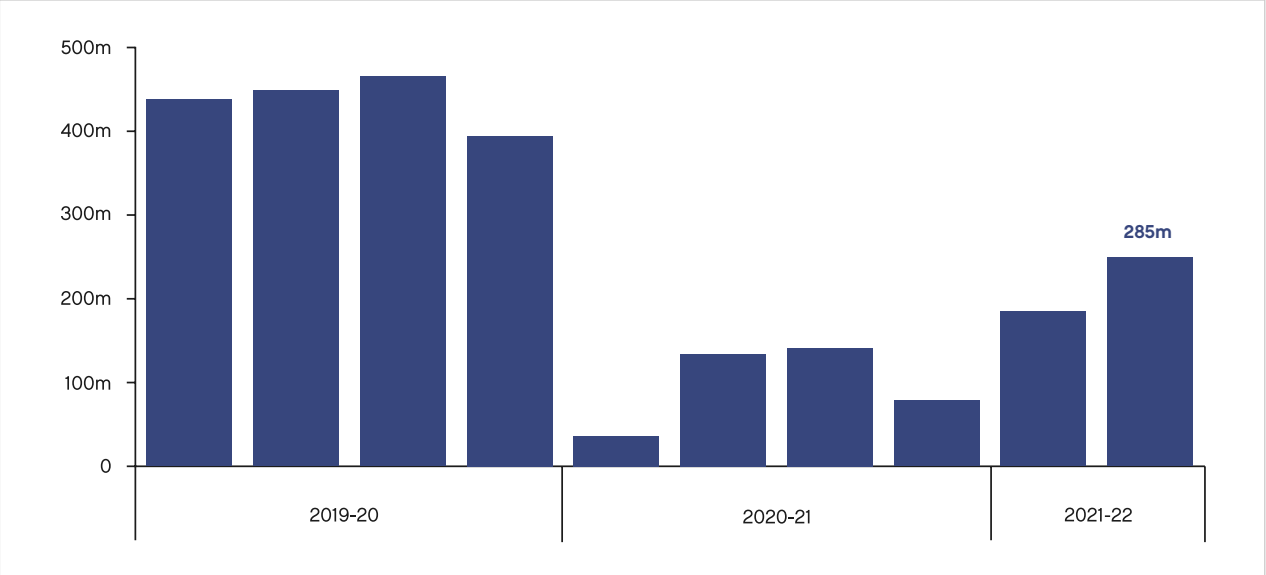
A revenue, not a ridership, crisis

After years of investment, record passenger growth and genuine improvement in Britain's railways, we are now at a crossroads, with a severe risk that both the network and the industry go into steep decline.

Since Boris Johnson told the nation to work from home in March 2020, the UK's train networks have seen a rapid decline in passengers and income. In 2020-1, rail journeys in Britain – which had been enjoying average annual increases of 3.5% – fell by 77% to 388 million, compared to 1.7 billion the previous year. This was the lowest level of passenger usage since data was first collected in 1872.

Billions of pounds of taxpayers' cash has been given to rail companies to help them make it through the pandemic, but services have still had to be cut and rail fares rose by 3.8% in March 2022.

Rail passenger journeys – April 2019 to 31 December 2021



Source: Office of Rail and Road – October-December 2021

Life is now returning to normal. But the rail network is moving to a 'new normal' that is very different from before. Pre-pandemic fare structures are increasingly at odds with new travel flows. Rail has in effect lost its monopoly – commuters no longer have to travel by train to work five days a week at peak times, as employers encourage working from home and flexi-working. The once lucrative consumer season ticket market has been especially badly hit, but longer-distance business travel has also suffered.

At one stage of the pandemic passenger numbers fell to just 5% of normal. In the autumn of 2021, they drifted back to around 60% before beginning to fall sharply again as the Omicron variant hit. The last three months of 2021 saw usage average at 61.8% of the same pre-pandemic period in 2019.

More than half of all rail journeys are now for leisure, not work. Before the pandemic the split was one third leisure, two thirds work.

Commuter journeys remain at only 45% of pre-pandemic levels, and only 41% into London. Importantly, changes in usage continue to vary by ticket type. The 236 million journeys made between October and December 2021 using ordinary tickets equate to 77.5% of usage two years ago. By contrast, the 48 million journeys made this quarter using season tickets equate to just 30.9% of usage two years ago.[1]

Five-day peak hour commuting – Monday to Friday – can be calculated to be around just 15% of the previous total and there is no evidence this once lucrative market will ever return.

Most commuting now takes place Tuesday to Thursday; Mondays are 20% lower and Fridays are 50% lower than before the pandemic.[2]

Unless the railways can adapt to the new travelling environment, we risk a spiral of decline and underinvestment. Fares will rise further to cover operating losses, driving more people on to the roads, cutting passenger numbers, forcing fares to rise further. Even then, there is no guarantee that the Treasury will be willing to swallow the losses from running the railways on a far lower userbase indefinitely, raising the prospect of a second Beeching Axe being swung further down the line.

This might seem like a frightening prospect. But the good news is that if we get things right, we can create a rail system that is closer to its consumers, more responsive to demand, more convenient to use, more digital and more innovative. Indeed, the impact of the pandemic, coinciding with the end of rail franchising and the Williams-Shapps 'Plan for Rail' White Paper,[3] presents a once-in-a-generation opportunity to increase efficiencies, remove cost and provide rail passengers with the service and modern retail proposition they need.

Commuter journeys remain at only 45% of pre-pandemic levels, and only 41% into London. Staggeringly, five-day peak hour commuting – Monday to Friday – stands at just 15% of the previous total and there is no evidence it will ever return.

In this paper, we will outline four areas in particular where reform is needed: a stronger focus on customer experience and consumer need; the introduction of greater competition and choice; support for rail freight; and reforms to infrastructure and investment to modernise and decarbonise the railways.

1. A RAIL SYSTEM BUILT AROUND THE CUSTOMER EXPERIENCE AND CONSUMER NEED

The most important change post-pandemic is to recognise that the customer proposition for rail has fundamentally changed. The old practice of having very high fares at what used to be peak travel times is no longer appropriate, because rail has lost its monopoly over peak travel to Zoom and home working.

We are seeing passengers return, but their daily needs, working behaviour and expectations have changed, which is further influenced by cost-of-living pressures. However, it is not all bad news: passenger ridership at weekends is now approaching pre-pandemic levels and may eventually overtake commuters.

1 Office of Road and Rail, *Passenger Rail Usage 2021-22 Q3*, March 2022
2 *RAIL* Magazine, March 22, 2022
3 'Great British Railways – the Williams Shapps Plan for Rail' – White Paper, May 2021

We cannot see exactly what the new world will look like but we can see some of the outlines very clearly. The long-distance (InterCity and non-commuter) sector recorded 25 million journeys between October and December 2021. This gives relative usage that was 68.2% of the 37 million journeys in the same quarter two years before. In comparison, the 190 million journeys in the London and South East (regional and commuter) sector equated to a relative usage of 60.5% compared with the same quarter pre-Covid. This shows a divergence between commuter and long-distance markets.

One of the big problems is that the current system takes passengers for granted – particularly commuters, but often on Intercity as well. The system is cursed with WiFi that is incapable, luggage storage that is impracticable, trains that are dirty, seats that are crammed and uncomfortable – introduced just to meet the DfT's franchise seating numbers – and a myriad of different ticket types that are unfathomable. For example, today there are an astonishing 2,700 different ticket types and over 600 restrictions. There are over 1,000 unique ticket names. The result for passengers is cognitive overload. Hence our proposals below for an improved and simplified 'front of house' experience that streamlines the system for passengers while encouraging operators and retailers to compete to deliver value.

The Government's new public body, Great British Railways (GBR), has been tasked with restoring financial sustainability to rail. This cannot mean waiting for passengers to come back from their cars, or hoping that future road congestion or pollution charging will push them in that direction. It must mean attracting as many passengers back to the network as before the pandemic – and more. Ministers will only see budgets returning to anything like those before the pandemic if we introduce new revenue streams, in line with passenger demand.

Fortunately, there is plenty of room for growth here. Yes, Britain's peak-time trains were packed to the rafters. But overall, 45 million seats a month were going unused – the equivalent of the population of Argentina. It is striking to consider that around 80% of all journeys between York and London (211 miles) occur by car, despite a fast and regular train service from competing operators. Why is this route still road-dominated, when the car takes over 4 hours and the fastest train takes just 1hr 45 mins? Is it about cost? Delays? Seat availability? Station car parking fees?

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There is therefore a need for a full and detailed analysis of the huge potential growth of rail leisure travel post-pandemic, and of the impact of a more flexible and less rigid commuter travel pattern. It is striking that attempts to replace the old season ticket with a flexi-season ticket have not had anything like the impact the Department for Transport had hoped for, precisely because the proposition didn't take into account the public's post-pandemic needs.[5]

4 Office of Road and Rail, *Passenger Rail Usage 2021-22 Q3, March 2022*

5 'The Future Is Flexible: new era of rail travel arrives with new flexible season tickets, DfT June 21 2021

To future-proof such products, it is instead essential that the DfT brings some new thinking to the table. But do civil servants really know what passengers need and want? The DfT would do much better to ask the Train Operating Companies (TOCs), which will retain responsibility for running the trains and will be closest to passengers.

For innovation to return to the rail network, GBR must foster a culture where the best ideas are rewarded and barriers to success are actively removed.

We also need the Treasury to come out from the shadows and for civil servants to have more faith in rail innovators and leaders in technology, whether in retailing, service provision or on-board services. The new GBR should be at the heart of this. The future role for technology is immense in cost cutting, rail maintenance and replacement of increasingly obsolete processes. A major criticism of the train franchise system was its regrettable culture of divide and conquer. The correct use of return on investment assessments was rare, and a culture was rife of piloting many projects with government-led grants, only for there to be little or no plan to carry the best innovations forward.

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We need to start thinking about the railway network as one system and accept that efficiencies can be made and services significantly improved. In moving away from the franchise model where each TOC ran its own systems, processes and staff, it is easy to see where quick improvements can be made.

For the railways to flourish, the Treasury must also reconsider its tendency to increase fares year on year. Raising fares does not necessarily increase revenue; on some routes the best way to increase revenue is to reduce fares and increase competition and choice. Other countries like Sweden, where dynamic fares are used to flex pricing on a single leg, should be studied and assessed to see what learnings can be adopted.

Winning back passengers with a new simple retail offer

The age of the rigid 'season ticket' is no more. But that can be a very good thing. Whereas a paper season ticket has to be bound by the traditional parameters of the journey origin and destination, and the peak/off peak times for when it is intended to be used, the use of technology can offer passengers the flexibility that they are now expecting. Tracking a customer's journeys over time as part of an account-based ticketing proposition would permit savings to be applied whether based on repeat journeys, general use of the railways or distance travelled in a given period. The offer could be flexed between winter and summer and ad hoc benefits could also be applied.

High peak pricing should be abolished, which will help commuting and business travel volumes to recover.

It should be accepted in this new world that someone will travel for leisure but work during the journey. One excellent suggestion is that, whether they are travelling for work or leisure, passengers should be able to earn and claim 'Rail Miles', which could be redeemed for future cheap travel, on-board refreshments and upgrades. This will help deliver new rail users and encourage and reward passenger loyalty.

While long-distance rail now clearly represents the alternative to short-haul flights, with comparable end to end timings and the better use of leisure fares (see fast LUMO services on the East Coast Mainline (ECML) between London King's Cross and Edinburgh), we are still yet to see domestic rail used to complement long-haul flights. The value to the passenger of a trip from London to Manchester when flying in from New York is vastly different to the day tripper or commuter. Having specific fares that can be sold by airlines or travel agents as through fares would be hugely valuable in growing this as yet untapped market. Linking this up with High Speed Rail through to Europe will also bring with it other benefits to the UK economy.[6]

One of the most important issues to address is the incoherent smart ticket offering facing the consumer, which is both unnecessarily expensive and incomplete.

Consider the suggested introduction of contactless ticketing across the national network. Is a London ticketing model really the right one for the rest of Britain, where many stations do not have barriers or are unmanned, particularly outside urban areas? Isn't this model already out of date now anyway – even in London? It's worth pointing out that the ITSO technology used in smart cards was 15 years old at the time of their introduction (which cost £54m, plus another £80m for the wider rollout). Passengers weren't even asked, or effectively surveyed.

One of the most important issues to address is the incoherent smart ticket offering facing the consumer, which is both unnecessarily expensive and incomplete.

No two retail technologies are moving faster than mobile and remote payments. So, if we can already see a future where bank cards will be a virtual asset that sits on your mobile phone, which in turn is a powerful mini-computer that already has the ability to track you and pull a ticket from the cloud, why would we put a single spade in the ground developing a contactless system that has a dependency on vast arrays of new hardware such as expensive station barriers in thousands of unmanned and smaller railway stations across Britain? Consider what consumers can now enjoy in an Amazon Fresh store where shoppers download the app, collect their items and then leave without facing any physical payment checkout process.

In other words, we must avoid the trap of spending money on yesterday's technology. Current ambitions of bringing forward pay-as-you-go (PAYG) to the North and the Midlands, budgeted at a widely publicised £360m, are a real concern. The London Oyster programme was created at a time when physical hardware

6 'The Right Track – Delivering the Conservatives' Vision for High Speed Rail' Tony Lodge, Bow Group 2010

was the only option (2003), but a modern 'ticket in the cloud' solution would prove to be substantially cheaper. The cloud option also allows for decades of advancement and improvement going forward as passenger behaviour, infrastructure and expectations change, not to mention new innovations and offers from operators.

If operated correctly with innovation leading the way, GBR can play a huge part in addressing rail's revenue, investment and ridership challenge.

We also need to think about GBR itself. Under the new plans, GBR will run and plan the rail network from 2023/4. Under its GBR banner, the Government plans to provide multi-channel rail retailing and information to all rail passengers, enabling the Government through this arm's length body to operate as a Third Party Retailer.

It is intended that this will face competition from other rail ticketing suppliers – as should be the case.

If operated correctly with innovation leading the way, GBR can play a huge part in addressing rail's revenue, investment and ridership challenge. As well as bringing forward a leading national retail proposition that must provide access to the lowest fares such as 'on the day advanced tickets', it will be crucial to provide clear and consistent customer information. Since the late 1990s numerous TOCs have delivered innovative and ambitious retail propositions. but these have been siloed into their own route and services.

There now exists the opportunity to bring together these many innovative projects that are proven and have worked well to date so to maximise attraction for the new 'flexi' passenger. The new GBR website should display the price and forward availability of empty seats across all services with a calendar view for the whole of the journey horizon to maximise their sale, demand and revenue at all times. Better pricing to match the market and fill capacity creates more fare revenue. There should also be proactive compensation for customers when things go wrong.

Whether it be regional, long-distance domestic or international, GBR will have to offer a more inclusive railway with real time and relevant information being pushed to customers and when things go wrong, for those same customers to be proactively compensated. And as TOCs transition from retailer to operator only, the HS2 shadow operator will also need to transition its retailing arm across to GBR to ensure that it can be fully integrated in to GBR's future digital offering.

2. MORE CHOICE MEANS MORE RIDERSHIP AND REVENUE

One of the most striking facts about the new post-Covid world is that it is showing the benefits that come with competition on the rail network, something that I have argued for before in various CPS papers.

Using the same metrics as above – comparing usage between October and December of 2021 with the pre-pandemic period – we find that London North Eastern Railway (LNER), running long distance between London, Yorkshire and

Scotland, recorded a significant relative usage of 83.6%. By contrast, Chiltern Railways (the commuter route into London Marylebone) had a relative equivalent usage of just 55% and the large South Western Trains franchise (into Waterloo) scored 59%. Similarly, the large Southeastern commuter franchise into Victoria registered just 58% and Govia Thameslink just 55.2%.

LNER was not alone. Other long-distance open access operators who compete with it on the East Coast Main Line, Hull Trains and Grand Central, recorded similarly high levels of relative usage (83.2% and 73.4% respectively).[7]

When the old British Rail was broken up, the franchising system created, in effect, a series of local monopolies. In 2013, in 'Rail's Second Chance', the Centre for Policy Studies made the case for a different kind of rail competition: open access.[8]

Open access operators are train operating companies that take on the full commercial risk for their services by purchasing individual route slots on the rail network. They receive no subsidy and pay no premium to Government. Open access train companies identify an opportunity to run a rail service which they believe can be better delivered, such as a faster, more direct service to a city or town which endures poor, slow or non-direct services. They take the risk to grow a new rail market – and consistently come top in passenger satisfaction surveys.[9]

The Competition and Markets Authority (CMA) subsequently endorsed this approach – and to see why, you only have to look at the difference between the two main lines from London to Scotland: the ECML[10] and the West Coast Mainline (WCML)[11]. As per the figures above, for the three months up to the end of December 2021, Avanti West Coast – which runs InterCity trains on the WCML – reached just 63.2% of pre-COVID usage.

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Unlike on the WCML, the ECML's government-run LNER trains face stiff competition from three other open access operators.[12] Between them, they are responsible for 20% of services on this line.[13]

Even before the pandemic, it was clear – and widely accepted – that the ECML experiment has led to more passengers, lower fares, more choice, more routes served, happier passengers, more revenue and greater connectivity, which complements the Government's 'Levelling Up' agenda. For example, an Anytime return ticket from Newark to London (1hr 29 mins) on the

7 Office for Road and Rail, *Passenger Rail Usage 2021-22 Q3 - March 2022*

8 Rail's Second Chance – putting competition back on track – CPS 2013, Link

9 Transport Focus surveys consistently show open access operators are the most popular across the network

10 The East Coast Main Line connects London King's Cross with Yorkshire the North East and Scotland

11 The West Coast Main Line connects London Euston with the West Midlands, the North West and Scotland

12 LNER (79% of line capacity) competes with Grand Central (9%), Hull Trains (7%) and Lumo (5%) open access services on the ECML

13 Commons Written Parliamentary Answer, 16 March 2022, ref: UIN136498

ECML costs £166, while a comparable Anytime return ticket from Derby to London (1hr 31 mins) on the Midland Mainline costs £211.50. Even more impressively, an Anytime return ticket from Newcastle to London (2hr 53 mins) on ECML costs just £118 with the low-cost LUMO service.

It is a scandal that on Britain's other three Intercity lines – Great Western, West Coast and Midland Mainline – there is still just one monopoly operator. Alarmingly, however, the Williams-Shapps White Paper makes limited reference to open access competition – though it does state that 'there will be the potential for new open access services to be exploited in the future where spare capacity exists.'[14] Today, open access operators provide just four per cent of long-distance high speed services nationally.[15]

Despite the impact of the pandemic, the InterCity leisure market has remained comparatively robust and is growing quickly.

Ministers must do more to encourage new open access applicants to come forward and provide competition across Britain's three other main lines where there is no open access competition. Furthermore, when HS2 opens it should have two competing rail operators – not one, as presently planned. The same should apply to HS1 between London and Paris, where Eurostar has enjoyed a monopoly for far too long.

Despite the impact of the pandemic, the InterCity leisure market has remained comparatively robust and is growing quickly. This rail leisure market must now be better prioritised and exploited so to both cover some of the losses endured from the collapse in commuter revenue, and also to complement the Levelling Up agenda. Embracing open access would be a powerful way to do that.

3. BOOSTING RAIL FREIGHT TO HELP THE ECONOMY AND THE ENVIRONMENT

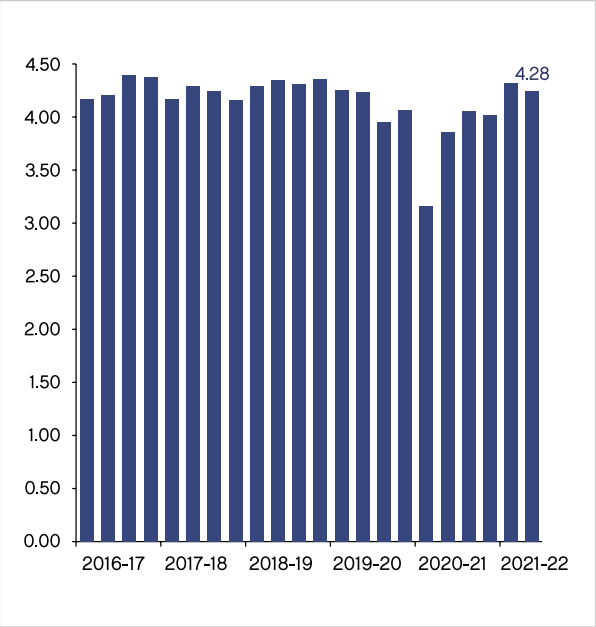
The freight sector was privatised at the same time as the passenger network (1993), but has had to endure huge changes in its customer base, especially in the energy sector. As recently as 2012, it was moving up to 30 million tonnes of coal a year between mines, ports and power stations. This huge market has now largely disappeared, as carbon taxes have forced coal power off the electricity generating system.

Consequently, rail freight has accepted the need for radical change and the need to successfully identify, establish and grow new long-term markets. These include the movement of shipping containers from ports to customer (known as intermodal); transporting construction materials; and other more traditional markets across energy, raw materials and steel.

There is, however, huge scope to grow rail freight – especially given the boom in online shopping and consequent movement of parcels and bulk retail purchases from retail hubs to distribution centres and customers.

As the chart on the following page shows, the total amount of freight lifted by rail has recovered since the pandemic, but remains essentially flat.

14 Williams-Shapps Plan for Rail, p58
15 Commons Written Parliamentary Answer, 16 March 2022, ref: UNI136499



Source: Freight moved (billion net tonne kms), Great Britain, 2016-17 Q1 to 2021-22 Q2[16]

For rail freight to thrive, GBR needs to work with ambition to provide the capacity for growth on the network, working with the private sector freight operators and customers to deliver new services. This may require rebalancing the use of capacity between passenger and freight at some times of the day and encouraging more services at weekends and at night.

Freight trains need to be longer and more efficient, and there need to be more terminals across the country to help customers move to rail.[17] Government must also deliver on its promises to set a compelling and ambitious freight growth target for GBR. Ambitious new targets should be set to incentivise the private sector to treble the amount of freight it carries by rail, especially as road pricing and other pollution limits are proposed.

There is also the potential for considerable private sector investment in new equipment and facilities as rail freight grows. This needs to be supported by an effective land use planning system which protects such land for logistics and industrial use and is responsive to market needs. Rail use should also be encouraged for new infrastructure development, and for large-scale new businesses such as giga-factories.

There is also an environmental component to this – as with the rail system more broadly. The carbon footprint across transport accounts for 27% of UK CO_2 emissions. Anything which can be done to make rail freight more attractive will not just deliver badly needed revenue to the rail industry, but help deliver on the Government's Net Zero ambitions. And moving freight by rail instead of road reduces CO_2 emissions by up to 76%.[18] It is three to four times more fuel efficient than HGVs and on average rail freight trains emit around a quarter of the CO2e emissions of HGVs.[19]

4. MODERNISING AND DECARBONISING THE RAILWAYS

One of the major successes of the privatised era was the ability to bring in private investment to improve the railway. Thousands of new trains, financed privately, have been built, enabling the removal of slam door trains in the South and outdated 'Pacer' trains in the North. Such changes have allowed for major strides forward in accessibility, passenger comfort and satisfaction.

16 Freight rail usage and performance, 2021-22 Quarter 2
17 'New 775m long freight trains begin operating on UK rail network', *Global Railway Review*, June 2021, Link
18 Rail Freight Group
19 Rail Environment Policy Statement, Department for Transport, July 2021

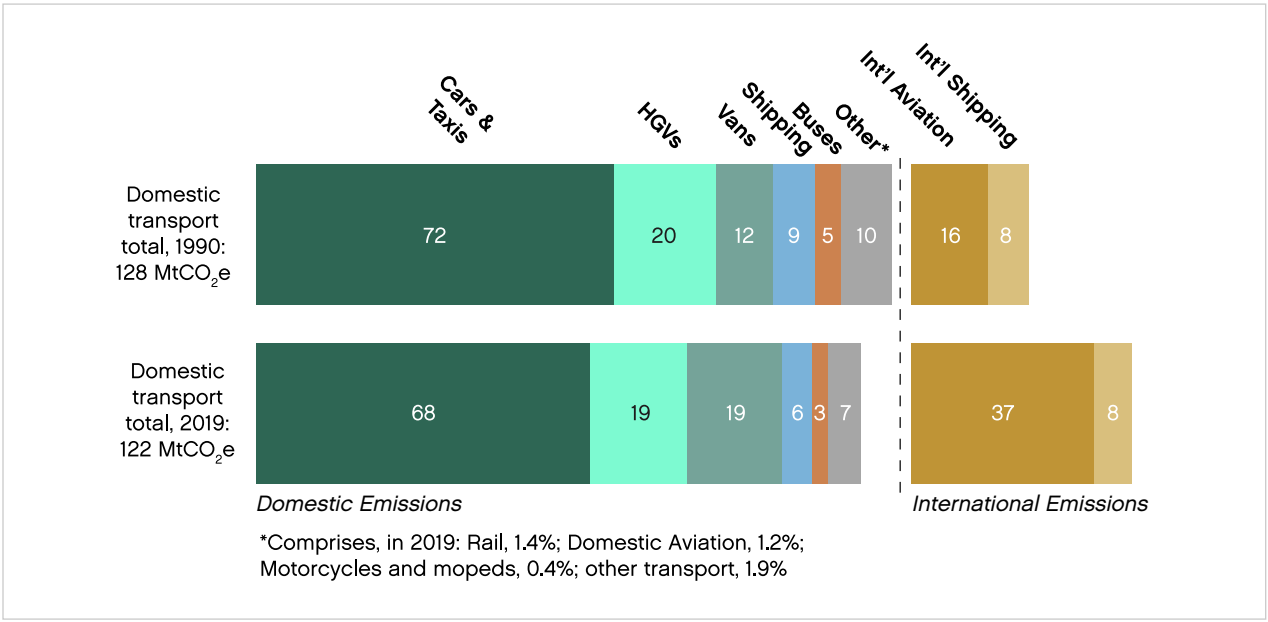
However, private investors are keen to go further and invest in rail infrastructure. A promising new initiative was launched by the Government in 2018 to capture this appetite, named 'Market Led Proposals'.[20] This recognised that Government did not have a monopoly on good ideas, and invited private parties to bring forward proposals for investment in rail infrastructure. Unfortunately, this initiative has stalled. Government has proven slow to engage and still has not set out any timescale or process to progress the initiative.

A depressing case study of the DfT's failure to both encourage and embrace private sector infrastructure rail funding is the on/off plan to electrify the 70 miles between Selby and Hull in Yorkshire. The Government backed the plan in 2015, then dropped it in 2016 – even though it involved £94m of privately funded investment.[21] The project was then revived, but then failed to make it on to the shortlist of approved schemes.[22]

GBR has an objective to encourage private sector investment. So reviving the Market Led Proposals is an obvious first step. Rail needs to get back to a mixed economy of investment, with government money focused on policy-based mega-projects and levelling up schemes, while encouraging the private sector to invest in financially viable infrastructure and new station schemes in the south.

This is particular important given the financial constraints the Government is under – and the environmental impact of such schemes.

As mentioned above, the transport sector is responsible for just over a quarter of Britain's



Source: Greenhouse Gas emissions by transport mode, 1990 and 2019[23]

20 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/919245/rail-market-led-proposals.pdf. Link

21 Hull-Selby rail electrification project rejected – BBC News. Link

22 Fears Hull to Selby rail line electrification may never happen – Hull Live (hulldailymail.co.uk). Link

23 Transport and Environment Statistics, Department for Transport, Autumn 2021

CO_2 emissions, at 27%. Of this, road transport vehicles represent 91% of the total. Rail represents just 1.4% – despite a doubling in rail passenger travel between 1994 and 2017.The European Environment Agency suggests that rail travel creates 14 grams of CO_2 emissions per passenger mile, compared with 158 grams by car and 285 grams by plane. Take the Eurostar between London St Pancras and Paris instead of the plane and you will cut more than 90% of the emissions.

The environmental case for getting passengers back on track is clear but prices continue to undermine the consumer case. Again, this is where advanced modern ticket retailing will play a key part, but Government must also understand that rail is a golden solution to help meet its wider Net Zero ambitions.

Rail electrification remains crucial, and is the best answer for many routes (though there are those that will be reliant on diesel power for decades to come). However, electricity supplies need to be a great deal cheaper and more reliable: ironically given subsequent events in the energy market, one of the UK's biggest rail freight operators, Freightliner, took the unprecedented step in October of switching from electric to diesel trains due to high power costs, which had raised operating costs by 210%. The company said it needed to replace electric freight services with diesel in order to maintain a 'cost-effective operation for transporting vital goods and supplies across the UK'.

A more pressing problem with electrification is that the Treasury is reluctant to fund it – especially given the massive amounts it is already having to put into propping the rail network up after the pandemic. We share this concern. The taxpayer cannot be simply asked to cover all lost revenue post-Covid.

The European Environment Agency suggests that rail travel creates 14 grams of CO_2 emissions per passenger mile, compared with 158 grams by car and 285 grams by plane.

The implication of the emissions statistics above, however, is that any form of rail is better for the planet than road transport. So if the Treasury wants to save money on the network, this could be one option – delaying, rather than cancelling, the electrification process. But also, where there is a strong case for using private investment, using it to plug the gap to make sure any delays to electrification are as limited as possible.

Aside from electrification efforts, diesel trains must be encouraged to switch from standard polluting fossil diesel to alternative fuels such as drop-in HVO green diesel.[24] This alone can slash air particulate emissions (particularly in urban areas/stations) and CO2e by 85% and 90% respectively.[25] Into the future, hybrid and new hydrogen trains will emerge – but supporting a viable and practical transition for existing diesel trains now is key, particularly in the rail freight sector.

24 *RAIL* Magazine, 'Freightliner claims emissions success' December 2021
25 The Leader of Westminster City Council called for cleaner diesel trains and air at Marylebone, October 2021

CONCLUSION

Britain's railways have been through many landmark reforms over the years. This year marks the 60th anniversary of the Beeching cuts being passed into law, and 30 years since the Conservative White Paper that led to the end of British Rail and ushered in a new period of growth for the network.

The Williams-Shapps Plan for Rail was already set to write a new chapter in the history of Britain's railways. But the shattering impact of the pandemic has made the need for change both immediate and overwhelming.

Despite the damage done to the network, this moment represents a huge opportunity to reset and reboot the railways – to reshape it around the needs of customers, with modern ticketing and timetables that reflect their new needs and new patterns of work and life. If we are too timid, or cling to old ways of working, we risk a spiral of underinvestment and decline both in ridership and revenue. If we get it right, we can not only save but grow the rail network – by improving the customer retail and travel experience, harnessing the power of open access competition, attracting private investment, and helping save the planet in the process.

Passenger expectations have changed on the emerging leisure-led railway and the industry must change with them. Choosing to travel by train is no longer a necessary part of working life. Today the railways are oversupplying a commuter market that has not come back and we are undersupplying growing leisure demand. Timetables, rolling stock provision and the retail offer must reflect this change in consumer demand and help it to grow.

The move to GBR must be an opportunity to meet and build a different railway. It must attract people who are not currently using trains and do not even consider them. Commuters are travelling less often, they're travelling at different times and using different tickets. As a result they are spending less.

It's time to change track and create a new customer base on top of what remains – then go full steam ahead. More innovation, competition and radical ambition will be key.

We are at a historic make or break moment for Britain's railways. Passengers are reassessing how they travel and what for; if rail is to retain and grow its competitive edge against road and aviation then it must change and improve now – just at the very point in time when the Government and by extension the taxpayer can least afford it. It is clear that the rail industry, more than at any time in its history, has to be lean, efficient and innovative.

If rail does not compete better, giving passengers a better retail and travel offer, then Government will need to increasingly subsidise a network which endures declining passenger numbers and standards – a situation last endured under the nationalised British Railways between 1960 and 1995.

This would necessitate the closure of railway lines – or a penny on income tax to support an additional £6bn annual extra subsidy, or higher fares to maintain existing services. The future is clear even if we don't like it. Either we do more for less, or the Government will have no choice but to offer less service at more cost as the network sinks into a downward spiral of less passenger income leading to further reduced investment.

If this sounds familiar then it should: it's how we found ourselves with Dr Beeching 60 years ago.

Passengers are returning, but the product they now expect to see is world-beating rail travel at great value for money with more choice, all supported by today's technology, which adapts to and can even lead a transport revolution.

Whether you consider telecoms, banking, hotels, aviation and many other customer-facing industries, a transition of change has occurred. Now it's time for the rail industry to also step up.

Tony Lodge is a leading transport and energy analyst. His past publications include 'The Right Track – Delivering the Conservatives' Vision for High Speed Rail (Bow Group 2010)', 'Rail's Second Chance – Putting Competition Back on Track (CPS, 2013)', 'The Hidden Wiring – How Electricity Imports Threaten Britain's Energy Security (CPS, 2017)' and 'The Great Carbon Swindle – How the UK Hides its Emissions Abroad (CPS, 2020)'.

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