

POLICY
THUMBNAIL

Better Rail Services

Cheaper, Better Services That Build On
What Already Works



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THE PROBLEM

Rail travel has changed significantly because of home working and growing demand for low-carbon travel. Leisure and freight are doing well, commuting is less popular, and business travel is growing again. But even though passengers are behaving differently, the industry has been slow to change: it gobbles big taxpayer subsidies; runs too many mostly empty trains because officials and politicians haven't changed its contracts; has low staff morale; and suffers frequent strikes from politicised trade unions.

Labour's renationalisation will create monopoly services on more routes, with prices, timetables and services set by politicians and bureaucrats. The nationalised services will be brittle, because if a timetable melts down, or a train breaks down, or there's a strike, there will be no alternative provider's service which passengers can use instead. Nor will they offer variety in pricing, quality or styles of service. And they will become increasingly expensive for taxpayers or passengers as rail unions leverage their monopoly power to drive up costs and pay still further.

THE SOLUTION

Introduce on-track choice and competition ('open access rail') so rail travel becomes more like flying, with multiple operators offering a variety of services for passengers on most routes. The small number of current Open Access operators (e.g. Lumo, Grand Central, Hull Trains, plus most rail freight too) are the only services that Labour aren't renationalising because they work well and are well-liked by passengers. So we would be building on an established, popular, successful and proven approach, rather than going back to the 1970s by renationalising. The steps needed to introduce this change are:

- a) Publish a simple, standardised and short pro-forma 10–15-year Open Access contract for train operators to sign, with objective, measurable standards for service safety and rolling stock performance which every service provider must meet, and compliance independently checked by the sector regulator (the Office for Road and Rail – ORR). There will be very few other conditions beyond these, so train operators have as much flexibility to create new services as possible.
- b) Introduce an equally-simple, standardised contract bidding process, where:
 - ORR publishes current net costs (including subsidies, franchise fees & access charges) to establish a 'reserve price' for each route. In many places this will be negative, because subsidies are so big.
 - Any train operator with an ORR Operating License will be able to trigger auctions whenever they want, for any track slot which isn't already covered by an Open Access deal (unless it would establish an anti-competitive position if they won)
 - If auctions don't beat the 'reserve price' then current arrangements will carry on so the new system will always produce better deals for taxpayers.
 - Once an auction is complete, the winner will sign the standardised Open Access contract and begin operating services: no further approvals (eg abstraction tests; rolling stock plan approvals; compliance with existing or draft timetables etc) will be needed.
 - The auction proceeds will replace all previous payments (eg access charges, franchise fees, route subsidies etc) for that route slot, and will be paid directly to Network Rail.

- c) Publish a gain-share agreement with Network Rail, showing their taxpayer subsidy will be reduced by a set proportion of every £ of commercial Open Access auction proceeds they receive, until they are fully self-sustaining when both operating cost subsidies and Government capital investment in the rail network reach zero.
- d) Rule out privatising Network Rail for an entire Parliament, to put passenger improvements first and reduce political opposition from rail unions and others. It also recognises commercial reality, that Network Rail is worth much less while it still depends heavily on taxpayer subsidies.



THE BENEFITS

These changes will steadily transform UK railways by introducing passenger choice, enterprise and competition where there is currently little or none, and improving efficiency and value for money for everyone.

Specifically they will:

- Give passengers better deals and services as rail firms compete for their business every day with a variety of competing prices, quality and styles of service, because they know passengers can switch to a rival's service at any time if it is better.
 - Create improved resilience when things go wrong with one provider's services, because other firms will keep operating.
 - Be faster & more future-proof because rival firms will be able introduce new services and routes quickly, at their own commercial risk, to reflect changing customer tastes & habits without having to persuade officials and politicians each time, or being blocked by incumbent rival firms either.
- Clearly identify which capacity-improving investments have the highest market value (and how the value changes as passengers behave differently in future too) so Network Rail can prioritise network upgrades efficiently.
 - Slash red tape costs. The new auction process will make decisions quicker, cheaper, more certain and more transparent than the current regulatory bureaucracy, and the new Open Access contracts will be short and simple, replacing hundreds of pages of highly complex technical and legal small print in current service specifications (eg specifying the designs on upholstery).
 - Close quangos, because there will be no need for Great British Rail, and moderate the power of rail unions too.
 - Create strong new commercial incentives for Network Rail to reduce costs & increase revenues, because its income will come from the Open Access auctions in future, rather than as politically-driven subsidies from Government.
 - Increase the value of the rail network and of Network Rail, by turning it from a loss-making, subsidy-hungry public bureaucracy into an efficient, commercially-successful and valuable business instead.
 - Maintain the current timetable & services unless & until rail firms can create new services which passengers prefer instead.

THE SOUNDBITES

"Our established open access services like Lumo, Grand Central and Hull Trains are really popular with passengers and staff, so it makes sense to build on their success for other routes as well."

"At the moment, if something goes wrong because there's a strike or a train breaks down, passengers have to lump it because there's no alternative. But if there are lots of different operators all competing on the same route, passengers won't be left stranded because other services will still be running."

"Why can't rail travel be just as cheap and efficient as flying, but greener and more convenient too?"

THE REBUTTALS

1. What about unprofitable services and the current timetable? Won't this mean new Beeching-style cuts where key services vanish and entire areas of the country are cut off?

Not at all. The existing timetable of services will carry on unless & until train operators can suggest alternatives which passengers prefer to use instead.

2. But privatised rail services have been a disaster. They've been expensive, full of strikes and unsafe, with poor reliability and regular timetable meltdowns. That's why renationalising railways is the so popular – doesn't this show the Tories are still completely out of touch?

You are right the old system had broken down, but renationalisation won't fix the problems either. Open Access services are better for customers, staff and taxpayers, which is why they are the only ones that Labour isn't renationalising. So our approach builds on what's already proven to work, instead of putting politics ahead of passengers by funnelling cash into the pockets of rail unions without any modernisation or improvements in return.

3. Won't this just create the worst kind of no-frills, lowest-common denominator budget services that all look the same?

Quite the opposite. Like air travel, it will mean new services being launched and upgraded all the time, as train operators experiment with new routes and styles of service without having to wait for bureaucrats to give them permission before they can start.

4. Isn't this a recipe for starving the rail network of much-needed investment?

Not at all. In fact it will give Network Rail much stronger incentives to build extra capacity on the most valuable routes across the network, at the most valuable times of day, in the most efficient ways, because that's how they will bring in extra revenue from more track slot auctions.

5. Aren't you forgetting what happens when you introduce profit into railways? Why are you playing games with passenger and staff safety?

We aren't. All the current safety and environmental standards will be unchanged, and the regulators' legal duties to enforce them won't alter either.

6. Are you going to privatise Network Rail?

No. Our top priority is putting passengers first, improving the quality and value for money of every service rather than fanning party-political Westminster debates about ownership.

