

# Hunting for the cash

By Tony Smale

Two people forming a business partnership would naturally ask themselves: "What do I get out of it? . . . and what will I have to contribute?"

Only if each perceives that the benefits outweigh the costs will the partnership have any chance of success.

The hasty privatisation of the railways in the mid-1990s saw ownership pass dramatically from the public sector to private industry.

But what has emerged since is a collection of private companies still heavily reliant on public funding; in effect, a "partnership" railway.

## The marriage of public and private

The rail industry, perhaps more than any other sector, has seen a systematic application of the Private Finance Initiative introduced by the Conservative administration – a method of financing that has been refined under Labour as the Public-Private Partnership (PPP) approach.

So what do each of the partners contribute to this marriage? Private companies, we are told, have lower costs, they are more adaptable to market forces, more willing to take risks, and better able to raise capital from the banks and stock market.

The Government has set itself objectives of meeting the transport needs of the nation, reversing economic decline in certain regions and ensuring that those without cars are not disadvantaged; to meet these objectives, it is prepared to allocate funds from general taxation.

So each partner makes its specific contribution towards the success of the whole enterprise.

Privatisation has certainly brought guarantees of long-term funding for the railway via franchise contracts that place commitments on both the train operators, and central Government, in the guise of the Strategic Rail Authority.

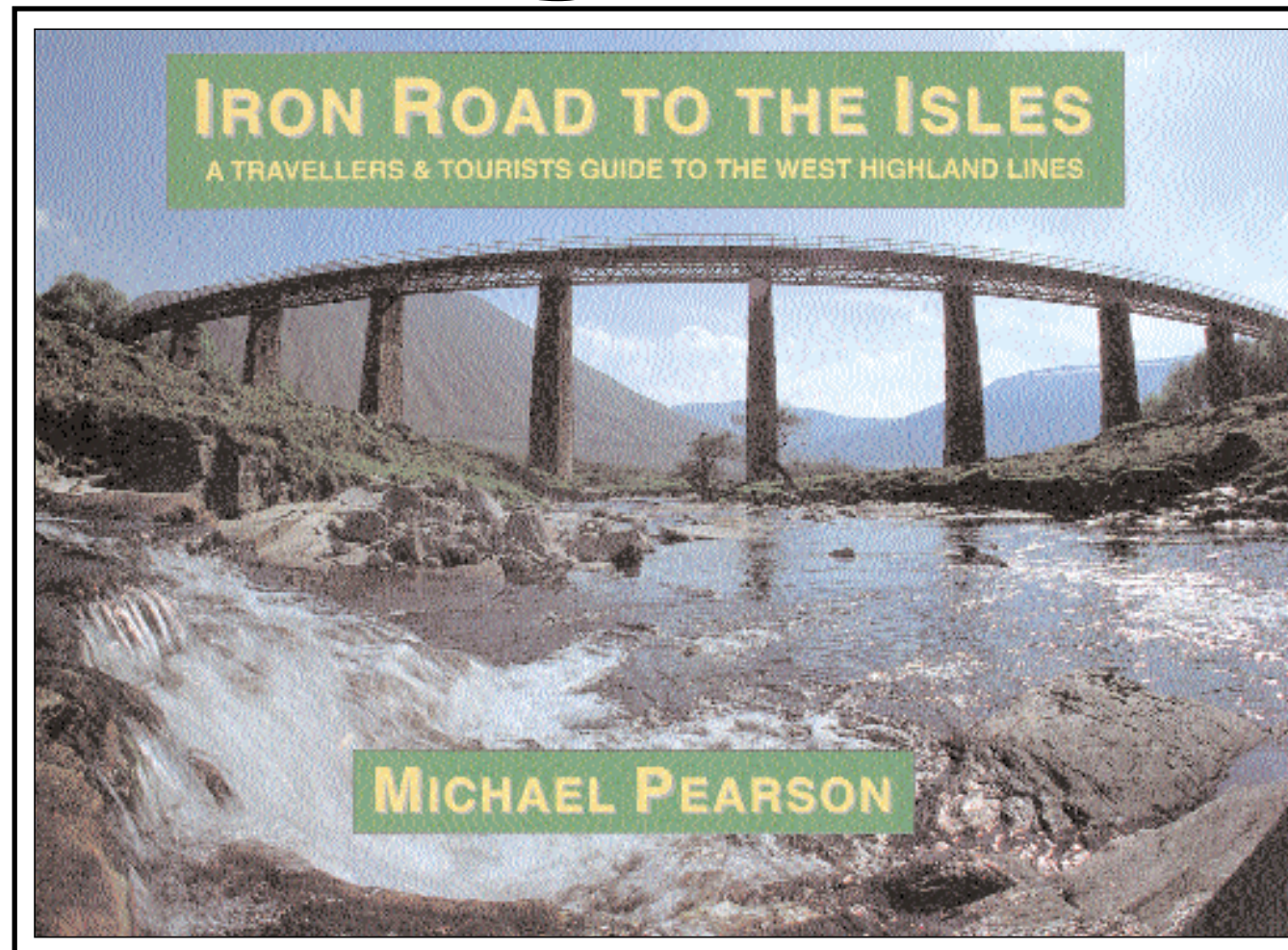
But in setting subsidy levels, the SRA treads a very fine line between supporting socially-desirable services and lining the pockets of company directors and shareholders.

The industry requires the financial incentive to expand and improve services, but it also needs strong regulation to ensure fair play, and perhaps prevent some of the penny-pinching that has resulted in the appalling disasters of recent times.

## Partnership funding at work

From the first round of rail franchising, the RDS had complained that train operators had little incentive to enhance service patterns over what had been initially agreed. To address this omission, the Rail Passenger Partnership scheme was introduced, whereby train operators could claim grants for improvements over and above the commitments agreed at the start of a franchise period.

This early form of PPP followed the rules



enshrined in the Railway Act 1993, whereby grants could be paid only to operators.

Railtrack could not receive RPP funding towards a new station, but could receive help indirectly through increased access charges on the train operator, who in turn could claim the grant.

The SRA has since circumvented this rule with the introduction of the Rail Modernisation Fund and Infrastructure Investment Fund, both of which can benefit any company, Railtrack included, in return for enhancements to the rail network.

It is not only the UK Government that enters into partnership funding with the rail industry. The EU has long administered the European Economic Development Fund which has been used to support rail reopenings and new stations in regions earmarked for assistance.

In addition, the European Investment Bank is able to lend money for major projects, an example being the £98million for the Jubilee Line extension.

Now even the European Commission is using the "three Ps" acronym to urge the mainly nationalised railway administrations of member states to enter into partnerships with the private sector. At home, local authorities specify transport improve-

ments in their five-yearly local transport plans. Once the plan is approved, the Department of Transport can award a "Transport Supplementary Grant" to augment the subsidy received from central government, plus "Supplementary Credit Approvals" specifying how much the authority can borrow to finance its various projects.

Rail development partnerships used to entail a straightforward relationship between the local authority on the one hand and British Rail on the other, but now agreements have to be sought with Railtrack, one or more train operating companies and other stakeholders.

Under Section 106 of the Town and Country Planning Act 1991, local authorities can extract "developer contributions" from companies building new housing estates and business parks.

The money set aside can then be used to fund transport infrastructure such as a new station – we might think of this as a "private-private" partnership, where the local authority holds the shotgun!

Who else might want to enter into a partnership with the new rail industry? The network's many historic buildings regularly attract grants from the Railway Heritage Fund, English Heritage and the

National Lottery via its Heritage Lottery Fund. Large employers and public institutions are willing to pay for better transport links to their facilities; the Sports Council, the Ministry of Defence and some of our national park authorities have all contributed to new station projects.

Lastly, we should not forget that 8% of the income to the private rail companies comes from ancillary commercial activities such as business lettings, advertising and leasing land for cables and radio transmitters.

In the latter part of the last century, the mood of the nation swung against the large nationalised industries, but we were equally uneasy about handing over our essential services to unfettered market forces.

Perhaps it is a typical British compromise to seek a middle path – the partnership railway of the 21st century!

■ The Railfuture Factsheet *Funding Rail Projects* has been revised and extended to provide a comprehensive eight-page review of sources of funding. It is an essential reference source for anyone campaigning for rail developments.

It is available from Railfuture Sales, 113b Pembroke Road, Clifton, Bristol BS8 3EU. Please enclose cheque for £1.75.



An excellent booklet about the West Highland line is being offered for sale on board trains. The 48-page *Iron Road to the Isles*, with excellent colour photographs and inch-to-the-mile maps, is published by Wayzgoose to celebrate the line's centenary. It is also available from Railfuture Sales for £5.40, including post and packing. It will be a good companion for anyone visiting for the centenary events, including steam trains, from 28 September to 8 October. Details from Glenfinnan Station Museum. Tel: 01397 722295. Fax: 01397 701292. Web: <http://www.homepage.virgin.net/fohl.glenfinnan>

## Tuck into a web feast

While the City has been losing faith in the World Wide Web, Railfuture has been trying to make the best of it.

We hope Railtuck will be a way for rail travellers to find a good place to break their journey and find somewhere to eat and drink.

We are asking Railfuture members to identify eateries, a café, a fish and chip shop or maybe a pub serving food near their local station and send in details to [railtuck@deltic.net](mailto:railtuck@deltic.net)

Once the site has settled down, we hope to develop a WAP service so mobile phone users on the move will be able to access the information.

Please give the name of the café, its address, postcode, telephone number, directions from the station, a very brief review of the café, and its opening hours. It is important to give the telephone number and also the postcode because that will activate a link to a streetmap of the area.

If you don't have an email address, please send your type-written recommendation to Railtuck, 13 Shirley Road, Enfield, Middx EN2 6SB.

Railtuck can be found at <http://www.railtuck.co.uk>

The latest Railtuck entry is:

Olympic Cafe, 130 Lower Marsh, Waterloo, London SE1 7AE Tel: 020 7928 2806

Reasonably priced Thai food. Rice and mixed vegetables. £3.95. Generous helpings.

Open Mon-Sat 12.00 to 23.00. Suns closed.

Railtuck is run in association with Deltic Computers to identify cafés near rail and tram stations or other rail installations. Any café recommended by a Railfuture member will get a free entry, but if a café wants to have an entry, it will cost £15, with £5 of the money going to Railfuture funds.

Of course it is always worth visiting the Railfuture website. The newlines will give you up-to-the-minute information about issues affecting rail development.

We try to provide the kind of information you will not find in the newspapers or mainstream rail magazines.

Recent newlines include a report on how road transport is polluting drinking water, the Keswick to Penrith reopening campaign, rail partnerships and how World Bank money is undermining rail.