Rail's Last Chance

A four-point plan to save the railways

By Tony Lodge

Centre for Policy Studies

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He delivered the Institute of Directors Beesley Lecture on 'Promoting railway competition' and has appeared before the Commons Transport Select Committee and the Competition and Markets Authority. He regularly writes and comments in the national, regional and trade media.

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Executive Summary

- Britain's railways are at a watershed. Under privatisation, passenger rail journeys almost doubled (95.9% increase) in the 20 years before the pandemic, reaching a record 1.8 billion journeys in 2018. Yet while passenger numbers are almost back to pre-pandemic levels, revenue is only at 89.1%, due to a fall in first class, business class, full fare and London and South East season tickets.

- This transformation in travel patterns has left a £1.4bn financial hole, which is currently being covered by taxpayers – part of a wider subsidy of £12.5bn (£20.5bn during the pandemic) for a sector that only delivers between 1.5% and 2% of all journeys taken by the public.

- The new Government has prioritised the nationalisation of passenger services and the creation of Great British Railways (GBR). Indeed, Labour's first major piece of legislation was to allow public sector companies to replace privately-run rail franchises in advance of the new state-run GBR.

- The creation of GBR, via the forthcoming Railways Bill, will deliver the biggest changes to the structure of the railways since British Rail was abolished in the 1990s.

- As well as running most passenger train services, GBR will take responsibility for setting timetables, network maintenance, setting fares and managing access to the railway – all while remaining ultimately answerable to the Secretary of State for Transport. It will even become a rail ticket retailer, in competition with other third parties such as Trainline, Virgin Train Ticketing and Uber.

- There will also be a transformation in how rail is regulated. The 1993 Railways Act gave the Office of Rail and Road (ORR) the power to decide who can use the railways and determine the charges for network access. This independent economic regulatory role will now end – a fundamental change.

- In future, GBR will decide who can run trains. The regulator will instead become a safety, performance, appeals and statistics body. This means the dominant market operator will be in control of its own regulation.

- This has the potential to be catastrophic for 'open access' rail, which has delivered some of the most popular and affordable high-speed services – but to which the new Government has already signalled its hostility. These services will not fall under state control, but the Secretary of State has already been pushing the regulator not to approve new open access services – despite their popularity, reliability and rapid growth.

- A new passenger quango will be formed to 'champion passenger interests', despite survey after survey showing value for money tickets trumping all other demands

- Though there will be a statutory responsibility on GBR to promote rail freight (which will remain in private hands, as will rolling stock), there will be no targets or protection afforded to the sector.

- In an attempt to avoid a repeat of the 1980s, in which British Rail's annual budgets helped contribute to a culture of inefficiency, waste, high cost and high subsidy, GBR will look to adopt a fresh financial framework, most probably via five-year budgets from HM Treasury. However, experience suggests that such longer budgets are unlikely to endure, as the Treasury favours annual settlements, despite the impacts on medium-term planning and capital efficiency.

- It is hard to avoid the conclusion that GBR is a solution looking for a problem – prioritising the nationalisation of the railways over their efficient and effective operation.

- In particular, ministers have failed to set out their longer-term vision for the railways in the Britain of the 2030s and beyond. What are the economic goods they can deliver? What is their role in terms of social mobility, clean travel, industrial strategy, boosting inward investment, housing and regional growth? How can innovators and private sector investors be rewarded for taking investment risk? Or is the door now being closed to them?

- If GBR is to be genuinely customer-focused, then it must prioritise passenger needs. Only then will revenue recover.

- This paper sets out a four-part plan to deliver that customer focus, within the framework of the new arrangements. It highlights the need to support and promote open access, for GBR and its retailing operations to encourage innovation and competition (including a 'GBR.com' that is delivered by genuine experts, not by Whitehall); to support rail freight; and to maximise income from the wider railway estate, including better exploiting commercial, residential, hospitality, property and energy sector opportunities.

- Given the scale of subsidy still being poured into the sector, we need to get this right. Otherwise, the sector, and the Government, risk repeating all the mistakes of the past.

Introduction – How We Got Here

It was one of the least popular things the Conservatives ever did – but, in hindsight, one of the most successful.

In 1993, the Railways Act terminated the nationalised British Rail (BR) which had existed since 1948. The old BR had sought to maintain a sector plagued with underinvestment and industrial strife while it faced the rise of the private car, cheaper road freight and motorways. The first major surgery to try to halt its decline was via the Beeching cuts in the 1960s, but these couldn't overcome BR's structural failings and heavy financial losses.

The first nationwide post-war rail strike occurred in 1982 – the year which saw the lowest number of rail passengers since nationalisation. This entrenched a growing view among policymakers that the passenger rail network should only exist where flows were viable, in demand and key to the economy. This included urban commuter services, particularly in London and the South East, and long-distance city-to-city high-speed, branded as 'Intercity'.

'By the 2010s, private franchises were running three times as many trains between London and Manchester as BR had in the early 1990s'

That same year the Thatcher Government commissioned the Serpell Report, which recommended even more dramatic cuts to the passenger network.[1] With route mileage reductions of over 80%, most semi-rural and rural lines across England, Wales and Scotland would close, with the expectation that they would be replaced by roads. Only part of the intercity, urban and London and South East commuter routes would survive.

This was too radical even for the Thatcherites – but while they shelved the report, ministers made clear their deep concern at BR's revenue and passenger performance.

By the mid-80s, the passenger situation had stabilised and numbers were increasing from their nadir. But Thatcher's successor, John Major, was persuaded of the case for radical change, moving quickly after his 1992 election victory to introduce a White Paper, *'The Privatisation of British Rail'*.[2]

The new system was widely criticised. But for all its faults, it is hard to argue with the numbers. By the 2010s, private franchises were running three times as many trains

1 Department of Transport, 'Railway Finances', Report of a Committee chaired by Sir David Serpell (December 1982). Link

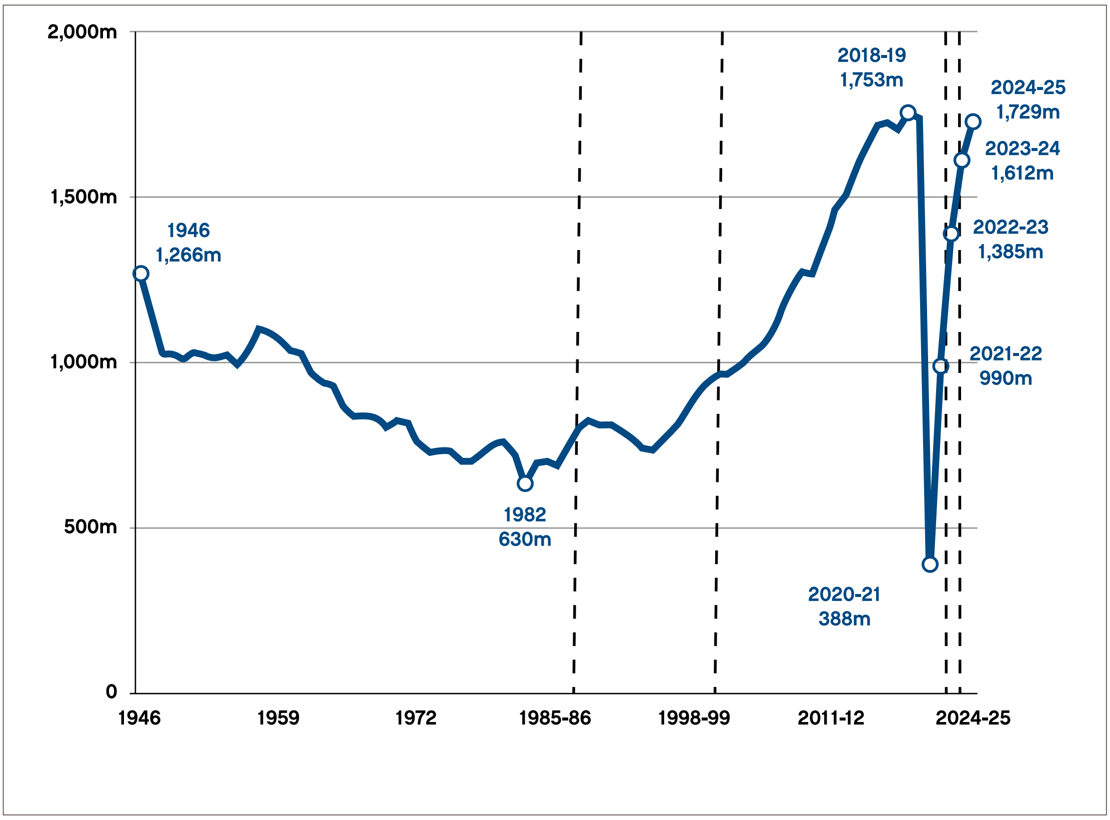
2 Department of Transport, 'New Opportunities for the Railways, The Privatisation of British Rail' (July 1992). Link

between London and Manchester as BR had in the early 1990s.[3] During the two decades between privatisation and the pandemic, passenger journeys increased by 107% and services increased by 32%. During this period passenger satisfaction in Britain was higher than for any other major European railway. Passenger revenue increased by 145% in real terms, compared with only a 16% real-terms rise in operating costs, and £14bn of private investment was put into improving the rail fleet.

Privatisation also introduced innovation in marketing, ticketing and operational efficiency; annual passenger growth was 50% higher than in France and almost double that registered in Germany, Italy and the Netherlands. The volume of rail travel in Britain rose to a level not seen since the 1930s, on a network half the size, with a very good safety record.[4]

A key part of privatisation's initial success was that the Department for Transport (DfT) ran the rail franchise tendering process professionally – getting the best return for Government, while ensuring that successful bidders had submitted bids which were achievable and deliverable. This situation changed gradually in the early 2010s as bureaucracy grew, bid costs rose (to around £10m per bid) and loss-making franchises emerged. A combination of ownership groups desperate to win franchises and a DfT unable to professionally manage, specify and deliver the process hit both performance and credibility.

Passenger journeys (millions), 1946-2025



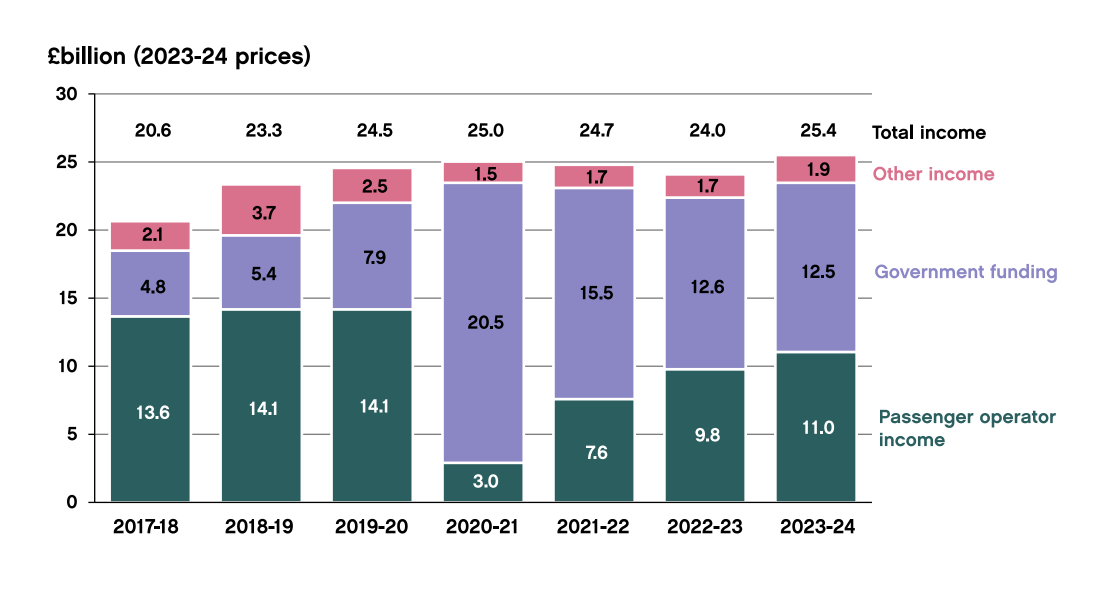
Source: Office of Rail and Road

3 A. Munro, 'HS2 railway, UK – why the country needs it', Proceedings of the Institute of Civil Engineers – Transport (14 November 2018). Link

4 Rail Partners, 'Working together for a better railway: a new public-private partnership' (July 2022). Link

The real blow to the sector, however, came with the pandemic. It wasn't just that rail travel collapsed during the lockdowns, necessitating subsidies of £20.5bn (in 2023/4 prices) to cover losses. It was that people's behaviour changed. As the CPS highlighted in its 2022 report 'Changing Track', the market shifted towards leisure and weekend travel, and away from daily commuting. Traditional flows of revenue, such as business travel, first class and five-day season tickets, have fallen away, particularly in the commuter belt: in the year to March 2025 just 13% of journeys were made using season tickets, compared to 34% before the pandemic.[5] Even though passenger numbers are at 99.5% of pre-pandemic levels, revenue is still down by £1.4bn. The taxpayer continues to cover an unacceptably high subsidy of (£12.5bn) for an industry which only delivers between 1.5% and 2% of all journeys taken by the public.[6]

Rail industry income, 2017-2024



Source: Office of Rail and Road, Rail industry finance

Now, the Government plans arguably the biggest shake-up since John Major's – to nationalise the passenger sector under the Great British Railways (GBR) banner via a new Railways Bill. This new state-run entity should come into being by 2027, 80 years after a previous Labour government legislated to create BR – although unlike its predecessor, it will not control freight, train leasing or train construction.

Ministers have insisted that they have learned from the mistakes of the past. But how can GBR really differ from BR if we are back to having a quango, and civil servants in Whitehall, ultimately directing rail policy without independent oversight and regulation? Will it really be customer-focused? Can it seize the opportunities that private sector innovation, more passenger choice and better value for money ticketing could provide? Or will GBR slide into a 1980s, BR-style regional model rather than one which focuses on customer-centric sectors such as intercity?

Similarly, ministers say GBR will enjoy a single 'directing mind'. But what does this really mean? Some readers will recall the British Railways Board taking its instructions from the Secretary of State for Transport when decisions became

5 Office of Rail and Road, 'Passenger Rail Usage, January to March 2025' (12 June 2025). Link
6 Department for Transport, 'Mode of Travel' (16 April 2025). Link

too sensitive or difficult, particularly with regards to industrial action. This was a relationship which often prioritised political considerations over passenger needs and commercial sense.

For GBR to avoid a future of low growth, high costs and declining passenger numbers, it must recognise and acknowledge the importance of passenger expectations and value-for-money tickets. But will it have any concept of what it means to 'know' or 'own' the customer? It must also appreciate that the rail economy has huge ancillary potential beyond trains and tracks, and be hugely ambitious in the interests of the customer, taxpayer and Treasury. These can and should include regional and national regeneration, and in particular supporting new housing developments, where rail connectivity can play such an important part.

'For GBR to avoid a future of low growth, high costs and declining passenger numbers, it must recognise and acknowledge the importance of passenger expectations and value for money tickets'

Some years ago, the CPS published a paper called 'Rail's Second Chance'. It set out how we could build a railway fit for the future, based in particular on the principles of competition and open access. In the years since, open access has been a huge success where it has been tried – not least on the East Coast Main Line. Yet the Government appears determined to squeeze it out, in favour of state monopoly.

This paper, then, is called 'Rail's Last Chance'. Not because it is the last chance for the railways. But because it may be our last chance to build a railway system that actually delivers what the country needs. Without bold and imaginative thinking, the railways look set for more upheaval, more problems and more pain. This paper shows how they can be a vital part of Britain's future, rather than a grim reminder of a troubled past.

The Four Point Plan

1. Look East – 25 years of East Coast choice and growth

British railway history is littered with memorable dates and anniversaries. This year marks the 200th anniversary of the world's first passenger railway between Stockton and Darlington in 1825. Then, in 2028, we will see the 80th anniversary of Labour's creation of British Railways - later rebranded as British Rail (BR), and the 90th anniversary of the *Mallard* reaching 126 mph between Grantham and Peterborough on the East Coast Main Line (ECML), becoming the world's fastest ever steam locomotive.

But this year, a less recognised anniversary takes place – but a hugely important one for those who follow rail policy and yearn for better trains, better value for money and more choice. This is the 25th anniversary of intercity rail competition on the ECML.

This development – under which privately owned 'open access' trains were encouraged and approved to compete directly against government-backed rail franchises, while also connecting underserved locations – was a clear win for passengers wanting more choice, cheaper tickets and more direct connections.

> **'Open access brings a commercial outlook to train services. Operators receive no subsidy and run services at their own risk'**

Why so? Well, open access brings a commercial outlook to train services. Operators receive no subsidy and run services at their own risk. If they don't attract customers, then they lose money – as seen during the pandemic, when they simply stopped running, because they had no passengers (unlike state-backed train franchises, which kept running despite people being told not to travel).

Open access operators on the ECML have not only successfully created new rail markets but have delivered fare competition with the dominant franchises. Passengers on the route from London King's Cross to Yorkshire, the North-East and Scotland can now choose from three open access operators, competing with the now government-run London and North Eastern Railway (LNER): Hull Trains, Lumo and Grand Central.[7] Open access links have also helped encourage investment in important new housing developments as well as wider regeneration.

Sadly, as the Centre for Policy Studies (CPS) has repeatedly highlighted, not least in 'Rail's Second Chance', published 12 years ago, this successful recipe has not been rolled out to the rest of Britain's rail network – to the huge detriment to other passengers.[8]

7 Hull Trains first began operations in September 2000. (Heathrow Express was not an intercity open access operator). Eurostar is an open access operator on HS1. New open access services have been approved on the West Coast Main Line and the Great Western Main Line but will not start until later this decade.

8 T. Lodge, 'Rail's second chance, Putting competition back on track', CPS (March 2013). Link

Indeed, the latest evidence confirms – or re-confirms, rather – that competition has delivered significant passenger and revenue growth across the whole ECML, while delivering lower fares when compared to other intercity lines such as the West Coast Main Line and the Great Western Main Line.

Open access is also unusual for another reason: it is one of the few truly private elements of our privatised railways. Network Rail, which owns and maintains railway infrastructure, has been in government hands since 2002. The Department for Transport (DfT) has been tightening its grip on rail franchises for many years, with even the type and style of seating on new rolling stock being specified by civil servants. This led to a mixed bag of failed and expensive franchise procurements, overbidding and the consequent need to renationalise some key operators, such as VTEC/LNER.[9] (The DfT has never declared the costs of these procurement and management failures to the taxpayer.)

Looking back, one of the main stand-outs from the Conservative's 1992 Rail White Paper was the pledge to *'improve the quality of railway services by creating new opportunities for private sector involvement … more competition and a wider choice of services'*.[10] The emergence of open access operators, which have regularly topped passenger satisfaction surveys, has indeed led to greater innovation, with firms developing their own rail markets and helping grow passengers across the whole ECML.

'The emergence of open access operators, which have regularly topped passenger satisfaction surveys, has indeed led to greater innovation'

Despite this, open access remains a tiny element of the British rail network: even if it were to double, it would still only represent under 1% of all national passenger journeys.

Over the next 18 months ministers will create the state-run Great British Railways (GBR). They say they want to see open access competition continue, 'where it adds value'.

So let's look at the evidence.

Office of Rail and Road (ORR) statistics and other passenger surveys show that where intercity trains don't compete for passengers, they are more expensive, require larger subsidies, generate lower passenger satisfaction, and have been less successful in getting their finances and passengers back since the pandemic.

Today, rail passenger journeys are back at almost 100% of pre-pandemic levels. However, the statistics deserve some caution, due to the opening of the Elizabeth Line in London and the introduction of split-ticketing meaning passengers may have two tickets when only one journey has been taken.

In any event, the sector's finances have certainly not recovered to pre-Covid levels. But there is one important exception — the ECML, with its real on-track competition between LNER and the three open access operators.

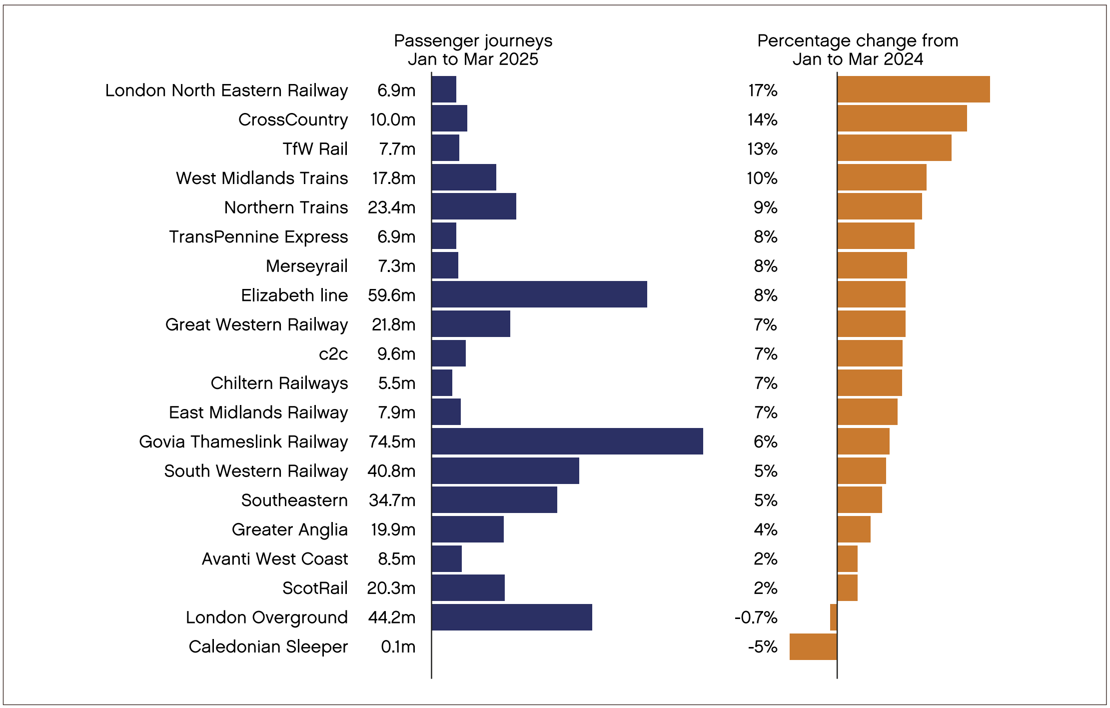
9 After the failure of the Virgin Trains East Coast (VTEC) franchise, the nationalised LNER started in June 2018.
10 Department of Transport, 'New Opportunities for the Railways, The Privatisation of British Rail' (July 1992). Link

According to the latest ORR quarterly data, LNER saw 27.8% growth between 2024/5 and the same quarter in 2019.[11] In the year ending March 2019, it had 22.3 million passengers, rising to 26.6 million in 2024/5. On the rival West Cost Main Line, the monopoly intercity operator, Avanti, is still struggling to get passengers back. It carried 39.5 million passengers in 2018/9, but only 34.9 million in 2024/5. The monopoly operator on the Great Western Main Line, Great Western Railway, has passenger numbers at 89 million, down from 100 million in 2018/9.[12]

LNER not only recovered to pre-pandemic passenger journey levels faster than any other intercity operator,[13] but is also the most popular of the big intercity operators, with 94% approval. Avanti West Coast and Great Western lag behind at 84%.[14]

LNER is also reducing the subsidy it needs from government as ECML ridership grows. In 2021-22 it needed £288 million in support from the taxpayer, but last year this fell to just £39 million.[15] If its growth continues, it could even become subsidy-free. And there is every sign of that growth continuing: in the last quarter, LNER had the largest increase in passenger journeys of any GB train operator, up 17% on the same quarter in the previous year. And significantly, where LNER does not face open access competition – as on its Leeds to London trains – its growth has been notably lower compared with routes where there is competition.[16]

Passenger journeys by operator, January to March 2025, and % change from the same quarter in 2024



Source: Office of Rail and Road

11 Office of Rail and Road, 'Passenger Rail Usage, January to March 2025' (12 June 2025). Link

12 Office for Rail and Road' 'Table 2200: 'TOC key statistics by operator GB, April 2019 – March 2024' (12 June 2025). Link. Office for Rail and Road' 'Passenger Rail Usage, January to March 2025' (12 June 2025). Link

13 Office for Rail and Road, 'Table 1223; Passenger Journeys by Operator, Great Britain, April 2011 to March 2025' (12 June 2025). Link

14 Transport Focus, 'LNER scorecard March 2025' (13 March 2025). Link

15 DfT OLR Holdings Ltd., 'Annual report and accounts 2023 to 2024' (31 March 2024). Link

16 Office for Rail and Road, 'Table 1223; Passenger Journeys by Operator, Great Britain, April 2011 to March 2025' (12 June 2025). Link

In other words, the main benefit of open access is not the new operators it has created, but the pressure it has put on the incumbent. But that is not to say the new operators have not proved popular – both with customers, and with the Treasury. Between them, the ECML's open access trio carried 4.9 million passengers in the last financial year, which is 0.3% of the UK total.[17] But in revenue terms, they contributed 1.8%.

Has this extra revenue come from profiteering? Not at all. To see that, you just have to compare fares for similar journeys on different intercity lines.

Doncaster has enjoyed competition between the dominant franchise and open access since 2000.[18] Its position on the ECML is roughly equidistant with Manchester on the West Coast Main Line and Cardiff on the Great Western Main Line.[19] At the time of writing, an off-peak single to Doncaster is available for £40, vs £62 for Cardiff or Manchester.

‘The main benefit of open access is not the new operators it has created, but the pressure it has put on the incumbent’

Of course, this is just one example. And ticketing is ferociously complicated. But analysis by the Winder Phillips rail consultancy – admittedly commissioned by FirstGroup, which operates Lumo and Hull Trains – shows that where rail routes have open access choice and competition, the rail mode share is 64% vs just 39% for routes without.[20] This is important when one considers that the cost of travelling by train has increased by 164% since 1997, 1.5 times faster than the cost of driving.[21] Value for money ticketing is therefore key.

Lumo, in particular, has been a gamechanger in that it demonstrated clearly that there was a market too for trains to replace planes between London and Edinburgh. The dominant operator, LNER, quickly sought to copy the model and now provides competitive fast intercity Scottish services itself.

Open access is also good for the sector's supply chains. In a welcome development in December 2022, the ORR approved new intercity open access services to operate between London and South Wales on the Great Western Main Line. In March 2024 it approved new services between London and Scotland on the West Coast Main Line.[22] These services will start in 2026 and 2027 respectively. The company behind the plans, FirstGroup, placed a £500m order with British train builders for 14 new trains to serve these new and existing open access operations, at an event attended by the Prime Minister and Transport Secretary.[23] These orders provide a critical new stream of train building work for the important Hitachi plant in Durham. The other open access operator on the ECML, Grand Central, has also announced a £300m order for a fleet of nine battery hybrid trains from the same plant.[24]

17 Ibid.

18 ECML franchise holders since 2000 are: GNER, National Express East Coast, East Coast, VTEC and LNER.

19 Hull Trains, Grand Central and LNER all compete between Doncaster and London King's Cross.

20 Winder Phillips Associates, ‘Impact of Open Access operators on industry revenue and journeys’ (February 2025). Link

21 Department for Transport, ‘Retail and Consumer Prices Indices, transport components: from 1997, Table TSGB1308a’ (19 December 2024). Link

22 ORR approved London Paddington – Cardiff - Carmarthen open access services on December 1st 2022 and London Euston – Milton Keynes - Crewe – Carlisle – Stirling services on March 12 2024

23 J. Manning, ‘New train deal protects jobs at Hitachi factory’, *BBC News* (6 December 2024). Link

24 Arriva Group, ‘Arriva Group invests in new battery hybrid train fleet in boost to UK rail industry’ (3 April 2025). Link

Given all of this evidence, you would think that supporting – and expanding – open access was a slam dunk. But there is a problem. Whitehall does not like open access, because it cannot control it. Regrettably, some at the DfT have consistently taken a negative view of open access and appear wedded to a view that it abstracts revenue from existing franchised operators without generating wider route growth.[25]

Earlier this year, Secretary of State Heidi Alexander wrote to the Office of Rail and Road (ORR) Chairman Declan Collier, with what some observers interpreted as an aggressive warning to the independent regulator as it assessed new open access rail applications.

Judging by this letter, there appears to be little appreciation at DfT of open access's clear benefits to passengers, the regions and the rail supply chain despite recent supportive words from the Prime Minister, who told the Commons in May that 'open access operators have huge potential to offer passengers more choice'.[26]

'Whitehall does not like open access, because it cannot control it'

In June, the DfT's Director-General for Rail Reform & Strategy, Richard Goodman, wrote to the ORR similarly warning against awarding any new open access applications. The letter went as far as suggesting that some existing open access services could in time be delivered by GBR itself. But this of course misses the whole point. If they were delivered by GBR, passengers would not enjoy the competition, choice and innovation which has delivered so much route growth and passenger satisfaction.[27]

In the wake of the Department's forceful lobbying, the ORR duly rejected three new open access applications to introduce new competitive services between London Euston, north Wales and the North West.[28] Other applications presently being considered include plans to bring intercity rail competition between Sheffield, north Nottinghamshire and London and another to connect London with North Lincolnshire.[29] But it is far from clear that they will get official support.

It is vitally important that the Government better appreciates and acknowledges the extent to which open access competition has transformed the economics of the wider ECML by increasing passenger numbers overall, offering better value for money tickets and growing rail's overall market share. This competitive model can ease the pressures on rail's finances and consequently the DfT's over-reliance on Treasury subsidy by helping drive wider passenger growth. Indeed, in 2016 the Competition and Markets Authority encouraged the then Conservative government to deliver the open access model across the national rail network, for precisely these reasons.[30]

25 H. Alexander, 'Letter from the Secretary of State for Transport to the ORR Chairman, Declan Collier' (6 January 2025). Link

26 K. Starmer, as reported in Hansard, 'Engagements' (21 May 2025). Link

27 R. Goodman, 'Letter from the Director-General for Rail Reform & Strategy to the ORR Chairman, Declan Collier' (20 June 2025). Link

28 Railnews, 'ORR rejects five new open access bids' (3 July 2025). Link

29 There are a number of open access rail applications awaiting decision from the Office of Rail and Road. See Written Parliamentary Question: S. Lightwood, Answer: UIN 51316, tabled on 12 May 2025, (20 May 2025). Link

30 Competition and Markets Authority, 'Competition in passenger rail services in Great Britain' (March 2016). Link

There is a good story here for Labour to tell, too. The first three open access services were approved and launched under the Blair/Brown Labour governments in the 2000s.[31] Yet should the current hostility to open access be embedded in the Railways Bill, the consequences could seriously undermine future rail revenue, sector growth, value for money ticketing and market development.[32]

Such an approach could also come with significant political consequences for many Labour MPs, who have come to hugely appreciate the open access services which serve their constituencies, many of which are in post-industrial northern towns and cities. The ORR is currently considering applications for extensions to existing services. They are strongly supported by passenger groups and many MPs of all parties on the routes.

As we have seen, the argument that open access steals revenue from existing operators is a nonsense – if anything, the opposite is true. The other argument frequently made, not least in rejecting the five new applications, is that open access takes valuable track capacity. Network Rail regularly claims that key routes are already congested and can't take more open access.

‘Giving open access services more peak slots, in return for higher track access charges, would be in the interest of passengers and the wider sector’

Even if this were true, it raises the question, are the right services meeting the right demand? Finding spare capacity is always a challenge. But there appears to be little effort to look at the big picture and assess how effective some existing services are, operationally and financially. Even many LNER services on the ECML exist because they were created to block paths for other operators and are financially and operationally ineffective. There are much better ways to meet or create demand and improve financial performance for the passenger and the railway.

On abstraction of revenue, planners need only look at open access' timetabled slots, with many services not running in peak periods. They pay for track access, with some operators, such as Lumo, also paying an excess levy called the Infrastructure Cost Charge (ICC). From October, this will increase to just over £5 per train mile, further showing how open access is paying its full costs to the railways.[33]

Giving open access services more peak slots, in return for higher track access charges, would be in the interest of passengers and the wider sector. But even those operators who only pay lower track access charges as a result of not putting on peak time services have added huge value by better connecting many previously poorly linked parts of the network, alongside cheaper fares.

Recently, the state-owned LNER commissioned an engineering consultancy to examine the financial impact of open access on itself.[34] The headline was that LNER's income would be at least £1.1 billion lower over the coming decade due to competition from open access. But the document failed to appreciate, or measure,

31 Hull Trains started in 2000, Grand Central (North East) in 2007 and Grand Central (West Riding) in 2010.

32 ORR's formal guidance from the Transport Secretary dates from 2017.

33 FirstGroup PLC, ‘Results for 52 weeks to 29 March 2025' (June 2025). Link

34 Jacobs, ‘Impact of Open Access Operations on LNER – at stations with direct LNER services' (April 2025).

how customers have benefited from more passenger and customer choice on the ECML. Indeed, it explicitly states that LNER has lost revenue from its inability to charge higher fares as a result of the competition it has faced from open access – a great thing for consumers! And it wrongly assumes that if open access didn't exist, then LNER would have been able to generate another £562m of extra passenger revenue growth. These arguments are not evidence-based.

Even if we take these numbers at face value, one can see the underlying regressive mindset: to tackle the challenge of lower passenger numbers and reduced revenue by simply charging the customer more money.

Instead, the Government must focus on value for money and choice. Competition has prevented LNER from being able to charge higher fares which has in turn brought more passengers. Indeed, survey results consistently blame high prices for reduced passenger numbers, for obvious reasons.

'Open access competition works; but as with many successes there are those who oppose its rise, innovative zeal and ambition'

Despite the use of public money by a state-owned LNER to try to besmirch its competition, the 25 years of the ECML case study is robust, evidence-based and has stood the test of time. (Incidentally, transport ministers have refused to tell Parliament how much LNER paid for the report.)[35]

Open access competition works; but as with many successes there are those who oppose its rise, innovative zeal and ambition. These range from some in the trade union movement to others in Whitehall who wish to see monolithic, heavily micromanaged and centralised services with little customer-led thinking, initiative or demand-led delivery.

The ECML shows that a credible mixed model of state-run trains facing on-track competition from open access can deliver value for money, grow rail revenue and consequently win rail more and more passengers. Ministers must embrace it.

35 See Written Parliamentary Question: S. Lightwood, 'Answer: UIN 53823, tabled on 21 May' (4 June 2025). Link

2. Whitehall's new train set? How to avoid industry decline

The debate over open access rail illustrates the importance of being led by the evidence in decision-making on the railways. Yet it also shows the danger of government imposing its own views on the market.

Sadly, while the decisions on open access are the most urgent example of this tension, they are not the only ones. In fact, there is a danger that the structure of the new Great British Railways (GBR) will leave it fatally prone to political influence, and fatally insulated from market forces – in exactly the same way as the old British Rail (BR) was.

Taking politics out of the railways is a worthy and much-repeated ambition. It is surely the only way to build an industry which takes the customer seriously and strives to deliver what he or she wants.

> **'There is a danger that the structure of the new GBR will leave it fatally prone to political influence, and fatally insulated from market forces'**

But with rail, that has always proved more difficult than it should be. Rail isn't a utility like water, gas or electricity. Yet it appears to attract the same amount of political noise and attention, if not more – to the point where anyone watching the monthly Commons Transport Questions could be forgiven for thinking they are actually watching Commons Railway Questions.

Given it only delivers between 1.5-2% of public journeys, why does it continue to have such a hold on Westminster and the body politic? Why haven't our political masters been able to detach its day-to-day operations from ministers and Whitehall? Why don't shipping (95% of British trade relies on maritime links), aviation or telecommunications (a sector used by everybody in one form or another) receive the same political attention or focus?

The answer is that these sectors are well managed, customer-focused businesses which don't need, require or endure Whitehall micromanagement or large subsidy. Rail can and must be better de-politicised in the national interest. That is one of the key tests for the GBR. And for those keen to see a genuinely independent and distinct GBR, outside of Whitehall's immediate orbit, there are significant concerns.

The rail White Paper, *'A Railway Fit for Britain's Future'*, claims that GBR will be a single 'directing mind' with a 'single cohesive strategy' and a 'customer focused culture'. But it goes on to state that the Secretary of State for Transport will have a role in 'setting GBR's strategic direction' while giving GBR 'the day to day operational independence it needs to get the most out of the railway'.[36]

While the White Paper pledges that the DfT will step back from day-to-day involvement in the railway, it will be important to see the forthcoming Railways Bill to see how this new structure might really work.

Regrettably, one can see the railways becoming a much bigger political topic under GBR than before, if the wrong decisions on competition, regulation, ticketing,

36 Department for Transport, 'A railway fit for Britain's future' (February 2025). Link

modernisation and accountability are made now. Complaints might start with the CEO of GBR, but could in many cases fall to the Secretary of State for Transport. Rail historians will recall the many chairmen of British Rail pleading with a myriad of past Transport Secretaries for help and interventions in one form or another. This cannot happen again; if it did, it would confirm fears that GBR is morphing into the ghost of BR.

GBR will face many early tests that could expose the dead hand of Government. Will the CEO be permitted to hold the line on potentially difficult decisions on new employment terms such as weekend rostering, pay, staff dismissal, ticket office closures and driver only operation, especially when the trade unions choose their battle lines?

Will senior management be given the space and authority to make hard and important long-term decisions in the interests of passengers, in what the White Paper claims will be a 'customer focused culture'? Despite pledges about ministers 'stepping back' from day-to-day management, creating GBR gives ministers both complete responsibility for the railway and all of the blame, which if history is anything to go by will inevitably lead to extensive micro-management.

' GBR will face many early tests that could expose the dead hand of Government '

For example, if a new GBR CEO judges that more open access competition should be encouraged and approved (for all the reasons outlined above) will hostile ministers and senior civil servants veto the plan? Alternatively, will GBR senior management genuinely operate a level playing field for all operators –both nationalised and open access as well as freight? It is asking a lot of any organisation that produces and sells its own products, and also those of commercial rivals, to deliver a level playing field. If it is a source of tension for a Tesco or an Amazon, imagine how much greater the tension will be with politicians adding their voices, too.

These are questions which are critical for anyone who wishes to see a customer-facing railway which can grow and evolve alongside independent oversight and regulation, away from short-term Whitehall political pressure and red tape. In particular, because the creation of GBR will also see a significant dilution of existing accountability mechanisms.

The White Paper states that the forthcoming Bill will deliver a 'streamlined role for the Office of Rail and Road (ORR) focused primarily on safety and efficiency'. This means, in more honest terms, that the previously independent ORR will be dismembered. Its key responsibilities – deciding who can use the railway, and what they must pay – will be given to GBR.

This is an obvious step backwards for independent regulation, accountability and transparency.[37] In no other key regulated sector in Britain does the dominant market operator also control and deliver key elements of its own regulation. In energy, water, telecommunications, aviation, banking and shipping, the independent regulator

37 Ibid.

(Ofgem, Ofwat, Ofcom, the CAA, the FCA and the MCA respectively) oversees investment, pricing, market access, competition alongside other key roles, without being involved in product delivery.[38]

The plan for GBR to absorb key ORR functions on track access and charging therefore risks a major conflict of interest, Competition and Markets Authority and legal intervention. If nothing else, there is a huge risk that the private sector will be far more cautious about investing in rail as the political risk involved will be much higher, especially if ORR is to lose key regulatory powers. Just look at the example of the water sector.

It is therefore hugely in the public interest that there is independent regulatory oversight of GBR's governance, decision-making, performance and finances – not just supervision by the Civil Service, which has its own priorities and incentives.

'The ORR has been a relatively effective regulator and critical enforcer across the railway for over 30 years'

The ORR has been a relatively effective regulator and critical enforcer across the railway for over 30 years, particularly with regards to delivering more train competition and scrutinising Network Rail, which will be absorbed into GBR.[39] Even with the ORR watching over it, Network Rail has repeatedly failed to deliver major projects on time and to cost and continues to face major criticism on its wider performance.[40] Importantly, Network Rail's costs have continued to rise whilst train operating companies (TOCs) have consistently tightened and controlled theirs. Can GBR really bring costs under control while effectively marking its own homework?

In the interests of good governance, anti-monopolistic scrutiny and regulatory independence, it is imperative that the ORR retains the key regulatory powers which it has held for a quarter of a century. In retaining these responsibilities, the ORR can ensure that its powers on track access decisions and charging deliver value for money ticketing, competition, customer choice while holding GBR to account.

For example, as outlined above, the DfT, Network Rail and the trade unions have on numerous occasions over many years opposed more open access services on the network. In recent months, that opposition has increased significantly in scale and volume.[41] But the ORR has been able to independently consider and rigorously assess the situation, over long periods. And while many open access applications were rejected, many have been approved, in line with its mandate to support competition.

Under the White Paper, all such decisions in future will sit with GBR, the dominant operator set to regulate key aspects of its own sector.

38 OFGEM (Office of Gas and Electricity Markets), OFWAT (Water Services Regulation Authority), OFCOM (Office of Communications), CAA (Civil Aviation Authority), FCA (Financial Conduct Authority), MCA (Maritime and Coastguard Agency).

39 The Office of the Rail Regulator was created in 1993 and replaced by the Office of Rail and Road in 2004.

40 T. Pashby, 'ORR says Network Rail Western performance not good enough,' *New Civil Engineer* (30 May 2024). Link

41 D. Stubbings, 'DfT opposes eight out of nine open access applications,' *RAIL Magazine* (10 February 2025). Link

Independent regulators and inspectorates need to be free of politics when they take decisions on the efficiency and effectiveness of public bodies or companies whose performance is important to the public. This certainly applies to the future of a safe, reliable, efficient and viable railway aligned with what the public wants and needs.

Ministers must therefore better appreciate the real consequences of any decision that takes key track access powers away from the ORR. There risks being a significant loss of confidence in what should be apolitical decisions.

If GBR takes on key functions previously enjoyed by the regulator, then are we not at a place where GBR is in effect marking its own homework, without the independent scrutiny and due diligence once provided? The dominant operator acting as judge and jury in a closed court?

Do ministers realise the political risk which goes with the emasculation of the ORR and bringing its key economic and regulatory decision-making powers in-house? Labour MPs should take close note of what ministers propose to do in this critical area, and Opposition parties must scrutinise the Bill in Parliament.

‘ There has been a 40% increase in passengers for operators who compete on the same tracks in an open access model ’

Indeed, there is an ironic twist here. Just as the UK voted to leave the European Union in 2016, Brussels introduced the EU Fourth Railway Package to deliver more rail liberalisation, open access choice and competition – inspired by the success of the privatised system in the UK.[42]

In the years since, giant strides have been made across Europe's railways as liberalisation has taken root. There has been a 40% increase in passengers for operators who compete on the same tracks in an open access model. Similarly, where operators compete on the same routes, evidence shows fares of new operators were typically 20-60% lower than the incumbent over time.[43] It should also be noted that these fares are starting at a lower base then we see in the UK.

In 2024 the European Commission published a detailed study on the benefits of open access passenger train competition across the bloc. The report concluded that there were:

- Lower fares as operators compete to attract more passengers
- Cost reductions and increased frequency of services
- Improved service quality both on trains and at stations

42 The EU Fourth Railway Package was approved by the European Parliament in April 2016. See: European Commission, 'Fourth railway package of 2016'. Link

43 Rail Partners with ARUP and Frontier Economics, 'Track to Growth: Creating a dynamic railway for passengers and the economy' (July 2023). Link

The report found that open access competition has proved to reduce the price and increase the quality and frequency of passenger trains in Austria, Czechia, Italy, France, Spain and Sweden.[44]

In Spain, 30% of all train miles are now operated by open access companies and ridership on long-distance routes is up by more than 50% since liberalisation. This has led to significant modal shift from air to rail. Rail now has an 80% share of the passenger market between Madrid and Barcelona.[45]

‘In Spain, 30% of all train miles are now operated by open access companies and ridership on long-distance routes is up by more than 50% since liberalisation’

The moral of the British experience is that effective rail competition is clearly possible and achievable in many dimensions but it remains restrained and stunted. Indeed, we are now adopting a state-run, monopolistic structure that would be illegal if Britain was still in the EU – and stripping away accountability mechanisms in the process. Ministers must urgently reconsider these arrangements.

44 Directorate-General for Mobility and Transport, European Commission, ‘Study on passenger and freight services’ prices for final customers’ (September 2024). Link

45 Railway Gazette International, ‘ADIF eyes more open access as Spanish high speed ridership surges’ (19 June 2023). Link

3. GBR – how to make it work for customers and taxpayers

Office of Road and Rail (ORR) statistics consistently show that, since the pandemic, Britain's railways have more of a revenue problem than a ridership problem. But of course, both challenges are inevitably intertwined.

If Great British Railways (GBR) is to succeed in terms of revenue and passenger growth, then its leadership will need to fundamentally embrace and appreciate one fundamental concept – GBR must own its customers and deliver what they want. This over-used platitude can and should mean something.

In particular, to raise revenue – and grow it well beyond its 89.1% of pre-pandemic income – GBR must instil a customer-first culture.

Today, the railways largely struggle to adapt to customer needs, which is reflected in their unstable and subsidy reliant finances.

'To raise revenue – and grow it well beyond its 89.1% of pre-pandemic income – GBR must instil a customer-first culture'

To put the sector on a growth footing, GBR must prove it can break the old DfT cycle of failure, where the customer and the concept of a demand-led, value for money railway struggles to prevail. Reliable services which reflect and deliver market demand will deliver faster growth. This is where the open access innovators have shown a clear lead.

For example, GBR's planners will need to show a clear and swift appreciation of the significant growth in the intercity weekend leisure market, and respond effectively to the collapse in peak business class travel and the need to remove 'ghost' commuter slots from main lines, particularly on Fridays and Sundays.

Also, with the coming together of track and train, it will be important to see what if any changes are made to Network Rail's usual weekend and bank holiday engineering timetables, which give little to no consideration to their impact on important leisure market revenue such as major sporting events, festivals and concerts.

One of GBR's first tasks should therefore be to carry out a full train utilisation study, so planners know which flows to prioritise and better resource against those which endure poor ridership and effectively block out in-demand services.

The backcloth to all of this is fares and ticketing. These two factors will play a huge part in determining the success or otherwise of GBR. Key to this will be the delivery of the world's best rail retail platform. Ministers announced in January that GBR will be a national online and in-station retailer, alongside other third-party retailers. Let us call this new retailer 'GBR.com'.

Of course, there is a strong argument that a new state-owned entity should not be launching itself into a marketplace where there are already private sector operators. But it is not one ministers are keen to hear. Indeed, if it can deliver better competition, then having GBR.com compete amongst several other prominent retailers could be the best outcome for the customer and for rail retailers alike. On the other hand, if GBR.com is unable to better reach the customer with instant journey information, travel insight, promotions and of course a simpler, compelling and value for money ticketing and fares offer, then it could begin to fail quickly, with revenue struggling to recover and more and more subsidy required to maintain service levels. Being available and more importantly responsible 24/7 for customers is nothing short of what they expect today.

So how can we get 'GBR.com' right?

This year sees a number of the privately owned Train Operating Companies (TOCs) reach the end of their operating terms and ceasing to exist. In preparation for full nationalisation, and the new GBR branding, they will come under direct government control in advance of GBR being formed in 2027.

These TOCs all have their own retail ticket websites, under the brands of Avanti West Coast, East Midlands Trains, Great Western etc. But what happens when their websites are turned off?

The closing down of what will be 14 TOC websites and their replacement with one GBR.com will require an extensive public information exercise with considerable broadcast, social media and wider PR promotion. Any organisation which goes through such change rightly prioritises maintaining and carrying over its customer base. Getting this right will be critical to its success.

'When setting up its own ticketing proposition, GBR.com will live or die by its ability to attract and retain customers'

When setting up its own ticketing proposition, GBR.com will live or die by its ability to attract and retain customers. But this will take time. Importantly, if GBR.com were to fail (or be seen to fail) then it would be a short step to GBR itself being considered a failure.

The retail clause in the forthcoming Railways Bill will consequently be particularly important. Delivering a seamless transfer from TOC websites to GBR.com on a specific date and time with a supporting and widespread media awareness campaign is essential. Yet when MPs have asked ministers what transition plans exist for this process, they have been told that GBR's retail capability will 'go live once GBR is established'. This hardly provides the necessary reassurance.[46]

If GBR.com fails to attract and retain its customers then there is a strong likelihood that the public will have no incentive to return to the railways, revenue growth will not follow and in turn the Treasury will be required to provide more taxpayer subsidy or push the DfT/GBR to make cuts.

Passengers will therefore need to understand what the transition means and how it will work. And those running GBR must see their task as being to deliver innovation, competition and revenue growth, rather than just taking back the money currently being 'stolen' from them by the private sector.

46 See Written Parliamentary Question: S. Lightwood, 'Answer: UIN 51310 tabled on 12 May 2025' (20 May 2025). Link

On that front, the signs are not good. *The Guardian* recently quoted a DfT spokesperson claiming that 'public ownership will save taxpayers up to an estimated £150m every year in fees alone. A state-owned online ticket retailer may recoup a decent slice of the £208m Trainline made from passengers in the last year.'[47] But this misses the point. Trainline has succeeded because it has innovated. Indeed, the GBR.com overall offer must be the best rail retail offer possible at any time, especially as public money will be used to develop it.

This is especially important because of the changing nature of rail usage, and the need for ticketing to change to match.

Over the past five years we have seen the significant reduction of season tickets, which used to be the backbone of revenue in London and the South East, and which in turn helped to support rail across the rest of the country.[48]

> **'A loyalty scheme can be a profit centre in its own right, but too many in the rail industry and Treasury are concerned about giving away margin without appreciating the wider growth potential'**

There is also a profusion, and sometimes confusion, of discounted fare schemes, which are essentially just different ways to reduce the cost of travel for the customer depending on their age, their family situation, their disability or the frequency of travel.

There is an opportunity with GBR.com to bring all of this under one umbrella and to vastly reduce the cost of administration both with season tickets and with the various railcard schemes. By embracing what GBR.com could offer to passengers, all of the relevant data could be stored within the customer's GBR personal account, including their propensity to travel with such things as weekly season discounts being applied retrospectively.

Not only would this enable GBR to introduce new schemes based on, for example distance travelled or money spent, it would also allow GBR.com to also build up the required data for a national rail loyalty plan – a long-awaited 'Rail Miles' scheme (not dissimilar to the longstanding Air Miles), alongside wider offers to customers such as car parking, hotels and wider hospitality.[49]

A loyalty scheme can be a profit centre in its own right, but too many in the rail industry and Treasury are concerned about giving away margin without appreciating the wider growth potential.

GBR should also consider how it can adapt the market to consider multi-modal opportunities with integration of fares for international travellers flying into rail connected airports, as well as the more local traveller being given better information on car hire and interconnecting buses, for example. There is also a great opportunity for GBR to resell fares through the Channel Tunnel and across France with fares through French rail operators being readily available.

47 G. Topham, 'Will Labour's shake-up really fix Great Britain's ailing railways', *The Guardian* (19 May 2025). Link

48 Between 2019/20 and 2024/25 the proportion of journeys made using season tickets fell from 34% to 13%, as mentioned above.

49 Air Miles have existed in the UK since 1988.

The provision of a best-in-class GBR.com website and app for the customer who wishes to purchase their tickets is key. This must be available before the TOC websites are turned off. It is also essential there is an impartial level playing field among all retailers, with access to the same tickets, services and data.

But how to deliver the world's best online rail retail offer? GBR.com will be far more than just a website and app. It will be a new retail business that must thrive for the sake of customers and a better rail experience. This will include better understanding customer demand and choices, the correct marketing strategy, having robust customer management processes and being able to interact with its customers however and wherever they choose.

‘ The answer is not a retail system designed by or in Whitehall, which has a long legacy of failed and overbudget IT and software failures ’

Is the DfT, which is designing GBR aware of what is required? The answer is not a retail system designed by or in Whitehall, which has a long legacy of failed and over-budget IT and software failures.

As yet, it isn't at all clear how GBR will deliver the world-leading retail platform that is required to support this new retail business. So here are three core principles:

A. GBR.com must not be a rehash of an existing government-run TOC website (such as LNER) which is simply rolled over and rebranded. This would be the cheap, lazy option which would fail to deliver what customers and GBR needs. Such a rollover would fail to take advantage of new software advances, or cater for many of the journeys offered by other TOCs elsewhere in the country. Ultimately, simply transferring one set of technology provided from a particular supplier would not see market scrutiny being applied.

B. A second option would be for the DfT/GBR to build its own software retail platform. This option is littered with hidden expenses and the time to achieve such a project would be prohibitive, with inevitable delays. Developing from scratch would require a great deal of expertise as well as finance. This also risks a robust, professional GBR.com online retail offer not being ready for use when GBR formally commences operations or for when the TOCs' websites are turned off.

C. The third and most obvious option is for GBR to procure a tender to secure the best possible technical software solutions from the world's best suppliers – and choose the best one. Such an intention was included in the *‘The Williams-Shapps Plan for Rail’* White Paper in 2021 but dropped in 2023, only to be revived again earlier this year. In June, Trainline announced it was suing the DfT over an alleged £32m ticketing contract from state owned LNER which did not go to tender. This ticketing platform could, in principle, be extended across the rail network. See point A above.[50]

50 C. Jasper, ‘Trainline sues Transport Secretary over ‘secret’ deal for state-owned rail operator’, *Daily Telegraph* (20 June 2025). Link

The provision of rail retailing is complex. Any suggestion that GBR could develop a national retail platform without the involvement of any organisation that has both the technical and global rail retail experience will be fraught with risks which GBR must avoid. Consequently, there must be a robust tender process in order to examine, analyse and choose the best suited retail proposition that will be at the centre of delivering growth and competition.

GBR.com must also be pivotal in supporting revenue protection – aka stopping fare dodgers. Ministers have previously stated that rail fare evasion is costing between £250m and £300m a year, which carries wider consequences for staff and their ability to do their job safely, as well as morale and passenger confidence. This substantial loss in revenue is also inevitably covered by the taxpayer.

‘Innovation and the systems to deliver it can only come through a robust tender process to deliver the best GBR rail retail offer’

By GBR offering access to the lowest fares at any time, through digital, in-station options and retail outlets – as can be found in many other countries – passengers will have fewer justifications for travelling without a valid ticket. With all future tickets purchased soon to be barcoded, and the abolition of the traditional orange stripe ticket by 2030, GBR.com can lead the way in eradicating the loss of revenue with a much closer integrated retail offer, such as passengers checking into their seat.

But this innovation and the systems to deliver it can only come through a robust tender process to deliver the best GBR rail retail offer. It must also prioritise the physical manning of working ticket barriers across the network which is a key deterrent to growing fare evasion.[51]

The White Paper *‘A Railway Fit for Britain’s Future’*, published in February, emphasised that GBR.com will ‘retail alongside and in competition with third party retailers’.[52] This includes the likes of Uber, Trainline and others. (Note the irony: ministers say they wish to see robust competition between ticket retailers, but are refusing to apply this desire for choice and competition to the future of train services.)

While the new model will be one of public ownership, excellence will only be achieved by using the experience and deep technical knowledge of those already in this hugely competitive market.

GBR.com can improve the customer experience and incentivise rail travel for all – but only if the customer remains its priority.

51 T. Lodge, ‘Bring Back ticket checks to curb costly fare dodgers’, *The Times* (22 May 2023). Link
52 Department for Transport, ‘A railway fit for Britain’s future’ (February 2025). Link

4. Growing rail's wider income – it's not just about trains

One of the key problems for Britain's railways is that they are still dependent on subsidy – enormous amounts of it. Yet rail has huge potential to generate significantly more income.

For that to happen, the rail industry must start thinking about running trains and rail journeys as part of a wider and much larger travel experience proposition.

For example, for the leisure traveller, the rail journey is just one part of their experience. They need to get to and from the railway station and possibly need onward travel. They need sustenance and entertainment. They may need a hotel, car hire or theatre tickets. Yet as pointed out in the previous section, rail today is still mainly considered as a standalone offer, even though commission from up-selling and cross-selling is an implicit part of both the airline and the hotel industry, and has been for many years.

'Retail income (income from retail units in the 20 large stations that NR manage) has declined by 21% between 2019 and 2023'

Developing a credible retail loyalty and reward scheme, such as the 'Rail Miles' idea previously proposed by the CPS, and outlined in the previous chapter, doesn't have to be cost-negative. If the GBR brand becomes what it can be, with a flexible retail engine supporting it, reward and loyalty can be delivered through partners where footfall or pass-through business can be offered. In return, passenger loyalty will be driven from a greater sense of value for money and a more personalised experience. This wider consolidated package can grow rail's footfall and broaden its appeal. Much of this can all be done through GBR.com and other third party retailers.

It is also worth noting, however, that the British rail network is more reliant on ticket sales than many other comparative nations for its income. Partly, that is down to the fact that we have chosen (or at least attempted) to limit the subsidies to our railways, rather than making the wider public pay for them through general taxation. But in many cases, it is also because other countries are better at generating wider income.

Indeed, when one considers the vast commercial, residential and retail opportunities which can and should exist in and on railway land, and property around stations, then the potential to generate considerable non-train related income is considerable. These are known as ancillary services.[53]

This significant extra potential income has arguably not been sufficiently exploited, delivered or effectively managed by Network Rail. Retail income (income from retail units in the 20 large stations that Network Rail manage) has declined by 21% between 2019 and 2023. (In a Written Parliamentary Answer in May, a junior rail minister confirmed that Network Rail's retail income in 2018/9 was £135.7m and in 2022/23 it was £107.3m.)[54]

53 Ancillary revenue is the income generated from goods or services that differ from or enhance the main services or product lines of a company/organisation – in this case the railway.

54 See Written Parliamentary Question: S. Lightwood, 'Answer: UIN 47643, tabled on 24 April 2025' (6 May 2025). Link

In Japan, rail companies take full advantage of their assets and consequently generate more income for the railways. They maximise the retail, residential and commercial value of their portfolio, which can account for up a third of their income. This model of generating a diverse income has to be a key ambition for GBR.

Overall, there are four major sources of income for the GB rail sector:

a) The farebox/passenger ticket sales

b) HM Treasury subsidy

c) Freight income

d) Ancillary revenues

Ancillary services and their vast new potential revenues are key and the railways have a unique opportunity with the right commercial leadership – whether this be property development and use, advertising, hospitality, better on-train catering, insurance, hotel bookings, car/bike hire, smarter retail, car parking, health hubs and even renewable energy generation.

‘Network Rail’s property estate is significant; it owns 52,000 hectares of land’

Rail must also look more closely at aviation and better appreciate how ancillary revenues, from the assets it already owns, can be maximised and exploited. Again, airports and airlines can generate up a third of their income from such ancillary services – why not rail?

New ancillary income is critical to securing new revenue flows in light of rail’s struggling revenue. Without this new revenue and a robust commercial approach from GBR to exploit and secure it, then there will need to be higher fares or more subsidy, especially as rail’s cost continue to rise. Ultimately, without this push more and more of the costs of rail will fall on the taxpayer.

In particular, Network Rail’s property estate is significant; it owns 52,000 hectares of land.[55] The potential to better utilise this vast estate to generate more income for rail is clear. These can and should include:

- **Better utilising empty space at stations for retail, housing, hospitality, advertising, business and health hubs**

Some of Britain’s major railways stations, such as London King’s Cross, London St Pancras, London Waterloo and Birmingham New Street have significantly improved their wider retail and hospitality offer in recent years – and thus generated additional revenue. But so many other stations across Britain could better utilise their space and customer offering. This could also include the wider rollout of business centres, hot desk space, or advanced vending machines which can provide prepared dishes, hot and cold drinks and other products. This has been particularly successful in Japan.[56]

55 See Written Parliamentary Question: S. Lightwood, ‘Answer: UIN 47450, tabled on 23 April 2025’ (25 April 2025). Link

56 Japan Today, ‘Why vending machines are so popular in Japan’ (20 December 2022). Link

But this is only the start. Stations could and should host more Community Diagnostic Centres (CDC) to alleviate pressure on hospitals and local GP services. This would further support the NHS's ambitious CDC programme.

Then there is housing and development. Look at the way in which projects like the redevelopment of Birmingham New Street, London St Pancras and London's Elizabeth Line stations can act as a catalyst for wider regeneration. This should also be seen as a way of co-financing such station redevelopments. If every new development within a mile radius, for example, paid a contribution in the 10 years after the new station complex was completed, administered through planning authorities, there is no reason why the consequent growth could be delivered with a much lower cost base over time. This model has been successfully applied to major road projects. Ministers must examine such a funding model before they commit up to £9bn for the new station at London Euston.[57]

'This is a substantial potential energy supply, which could power the equivalent of between 140,000 to 180,000 homes and earn the railway tens of millions of pounds in new revenue'

Those long awaited plans for Euston, which will combine new High Speed 2 services, current West Coast Main Line (WCML) services and a rebuilt Tube station, represent a huge opportunity to maximise this neglected site and create an ancillary model for the future. It can help regenerate the immediate area and turn the station into a hub for many other activities – not just catching a train. It also has huge potential for new housing on top of and around the station – again, something that other countries do so much better than us. As the CPS has pointed out before, a huge part of the cost of developing housing in London in particular is the rights to the air and land. And both are already owned by the railways.

- **The railway estate can and should become a major renewable energy supplier – and user**

Though Network Rail doesn't currently hold data on the total amount of renewable energy generated from its estate, ministers estimate that it has the potential capacity to generate 188 MWp (Megawatts peak) of solar power across 34 sites.[58]

This is a substantial potential energy supply, which could power the equivalent of between 140,000 to 180,000 homes and earn the railway tens of millions of pounds in new revenue. But it is also too unambitious. What about the potential for lineside solar along vast swathes of Britain's 9,848 mile rail network? This could turn the railways into one of Britain's biggest energy suppliers – developed on land the government owns – not to mention providing it with a substantial new clean power source.

- **More light parcel freight using stations**

The growth of online shopping presents rail with new revenue opportunities as light parcel freight booms. Some operators are even converting smaller former passenger trains to carry the flows.

57 G. Plimmer & J. Pickard, 'Euston HS2 project costs to hit more than £7.5bn', *Financial Times* (10 December 2024). Link

58 See Written Parliamentary Question: S. Lightwood, 'Answer: UIN 51312, tabled on 12 May 2025' (18 May 2025). Link

Large and medium sized stations should exploit this opportunity and prioritise, where space allows, for this freight to be delivered and collected, not unlike traditional goods sidings. For example, underused platforms and spaces at London Liverpool St station have been repurposed into a new light freight terminal. This can then allow for electric vehicles to transport deliveries to customers direct from the station.

> **'The growth of online shopping presents rail with new revenue opportunities as light parcel freight booms'**

The movement of light parcel freight by train between stations can also remove significant HGV tonnage from roads and motorways. This will help reduce road emissions and improve air quality, particularly in urban centres.

- **Support the freight sector**

It is beyond the scope of this paper, but the CPS has previously outlined the potential for expanding freight to contribute both to the economy and to the environment.[59] Sadly, volumes of rail freight have essentially flatlined since the mid-2010s, and are still well below their peak.[60] The new GBR needs to prioritise this sector and its growth, not least by ensuring it has adequate space on the rail schedules rather than being blocked by the 'ghost trains' described above.

59 T. Lodge, 'Changing Track, How to rescue the railways after the pandemic', CPS (May 2022). Link

60 Office of Rail and Road, 'Freight rail usage and performance, January to March 2025' (12 June 2025). Link

Conclusion and Recommendations

If there is one sentence that those creating the new Great British Railways (GBR) need to bear in mind, it is this: *'Nothing can happen until somebody sells something.'*

If GBR is to be, as the rail White Paper pledges, *'a railway fit for Britain's future'* with a new *'customer-focused culture'*, then the priority must be to better understand what customers want and what they are prepared to pay for it. Everything else is secondary.

Rail can and must be at the centre of Britain's industrial, employment, housing and regeneration strategies. But this can only work if trains better meet demand with value for money tickets and the right services to the right places. Anything less will take train and customer further apart.

'Open access operations represent 20% of all intercity services on the ECML today and other long distance high speed routes should aim for a minimum of 10% by 2030'

This is particularly important since the rail network's subsidy and finances are unsustainable. Though passenger journeys are almost at pre-pandemic levels (with certain caveats, covered earlier), rail revenue has not recovered and the overall yield remains poor.

First class, business class and season ticket sales will not return to pre-pandemic levels given the seismic change in working patterns and travel choices. But rail has large and untapped potential which must be better exploited and monetised.

We recommend:

- **GBR accepts a mixed provision model and embeds open access competition in the Railways Bill and across future policy.** Evidence shows that open access on intercity routes provides passengers with train, fare and route competition while delivering overall route and sector growth. The ECML 25 year case study is robust and mature – and Europe has now copied the model, with encouraging results. Open access operations represent 20% of all intercity services on the ECML today and other long distance high speed routes should aim for a minimum of 10% by 2030

  New open access services on the Midland Main Line (London St Pancras to Leicester, Nottingham Derby and Sheffield), Great Eastern Main Line (London Liverpool St to Norwich and Ipswich), South West Main Line (London to Portsmouth, Southampton, Bournemouth and Exeter) and Cross Country (Cardiff/ Bristol to Leeds and Newcastle) should be encouraged alongside support for existing applications which can give passengers more routes, train choice and value for money fares.

- **Rail should not regulate itself.** The Office of Rail and Road (ORR) must retain its powers to decide on track access and hold GBR to account. Plans by ministers to defenestrate the ORR should be resisted by those who wish to see more independent scrutiny, passenger choice and value for money fares.

  No other major regulated sector has its dominant organisation regulating itself. Whitehall, trade unions and others seem keen to remove the key roles of the ORR in favour of GBR marking its own homework. This risks a future where passenger interests are not put first and inefficiencies, bad planning and even safety breaches are allowed to take root.

- **GBR must deliver the world's best passenger retail offering.** By competing with other popular rail retail websites, customers should be able to buy the cheapest ticket available with the most up to date journey information. A 'Rail Miles' loyalty scheme should be part of this customer offer which can, in turn, help grow rail's footfall and wider ancillary offer. GBR.com should be delivered through a tender process where the world's best retail software providers compete to deliver the best product.

- **Rail must generate new income from its vast estate.** The railway estate (stations, trackside, depots) can generate tens of millions of pounds in annual income and help stabilise and grow the sector's finances. GBR must maximise this new income stream as a priority and recognise where new ones exist. This includes commercial and residential development, renewable energy generation, light parcel freight, health hubs at stations alongside a higher quality retail offering which can provide hospitality, entertainment and onward travel options. There should also be a renewed focus on rail freight and its potential.

The pandemic changed rail forever. Gone are the once predictable and reliable revenue streams of first/business class, peak and season tickets. Costs keep rising and the subsidy is too high. Rail's revenue gap remains 10% short of where it was pre-pandemic; an income gap of £1.4bn.

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With an innovative pro-customer and pro-growth approach, GBR has a unique opportunity to win new customers for rail. But if it is to do so, politicians must learn from the growth and choice model on the East Coast Main Line and how rail competition is delivering for passengers across Europe.

The prize is big: lower subsidies, more passengers, more modal shift from other forms of transport, lower emissions, cheaper tickets, better trains and stations.

The alternative is bleak: no growth, no innovation, years of industrial and political dispute, to the point where ministers could be left with no alternative but to reduce services or increase fares, which will in turn reduce demand.

The lead ministers in the DfT earned a large part of their transport experience managing excess passenger demand in busy London.[61] They didn't have to stimulate growth or win new passengers. But this must now be their priority as they deliver GBR. They must realise that growth comes from winning new customers who recognise a value for money offer.

> **'The prize is big: lower subsidies, more passengers, more modal shift from other forms of transport, lower emissions, cheaper tickets, better trains and stations'**

The ghost of British Rail inevitably hangs over GBR. The recent political pressure on the regulator to reject more open access is an alarming portent. But if the passenger is put first, and proven successes are embraced and copied, then the future can be very different. Rail might not get another chance.

61 Heidi Alexander MP, the Secretary of State for Transport, was Deputy Mayor for Transport in London between 2018-2021. Lord Hendy of Richmond Hill, the Rail Minister, was Managing Director of Surface Transport at Transport for London between 2001-06 and Commissioner of Transport for London from 2006-2015. He was then Chair of Network Rail.

Glossary

BR:	British Rail
DfT:	Department for Transport
ECML:	East Coast Main Line
GBR:	Great British Railways
GWML:	Great Western Main Line
LNER:	London and North Eastern Railway
NR:	Network Rail
ORR:	Office of Rail and Road
TOC:	Train Operating Company
WCML:	West Coast Main Line

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