WESTMINSTER

It became obvious during a debate on rail investment on 1 May that there is no consensus about how to deal with the fragmented industry.

Various Labour MPs hold diametrically opposed views.

Introducing the debate, George Stevenson (Lab, Stoke-on-Trent S) said: "It is probably one of the most crucial issues that face the country and the Government.

"Given recent changes – what some may call developments – particularly in the Government's relations with the Strategic Rail Authority and Railtrack, it is a timely debate.

"The debate is essential to the Government having any chance of success. However, the SRA's new role is not very encouraging.

"The new development of rail is being transferred from Railtrack to the SRA and other partners – I presume with Government approval.

"That means another fragmentation of the industry. Railtrack will maintain the current rail network and the SRA's private partners will develop the new network. The industry needs further fragmentation like it needs a hole in the head. I am very concerned about the prospect of further fragmentation.

"We are witnessing the dismemberment of Railtrack, so my suggestion is the logical next step. Railtrack represents the dead hand of privatisation. It is a luxury that we can no longer afford. The majority of the public know that something dramatic must be done."

Mrs Gwyneth Dunwoody (Lab, Crewe and Nantwich) said: "Railtrack is the core of the rail industry. If it gets things wrong, whether in the maintenance of facilities or the development of the railway system, everyone else will suffer.

"Its representatives appeared to understand that one difficulty was that the steady state system had not been maintained as it had been previously.

"We hear a great deal about 20 years of under-investment, but one thing that British Rail did was to maintain the system. Sometimes it did so with love and bits of string, but railway men and women maintained that system so as to enable it to continue in existence.

"If Railtrack were forced to answer for its actions on the open market, in the manner of most private companies, it would be bankrupt. We must seriously consider alternative plans."

However, Peter Snape (Lab, West Bromwich E) held a different view.

Status quo

"Bashing Railtrack is dead easy," he said. "The job of all of us who care about the railways is to get the best deal possible for the industry. Flawed and fragmented though the present structure may be, we should try to make it work properly."

Geoffrey Clifton-Brown (Con, Cotswold) said: "The Government inherited a railway system in which passenger numbers, freight traffic and investment were all increasing.

"Public investment has decreased from £1.8 billion in 1997-98 to £1.6 billion in 2001-02, yet private investment has gone up during that period from £1.2 billion to £3.7 billion.

"We should simplify the running of our railways. Since the Government came to power, all sorts of different regulatory, safety and other bodies have tried to tell Railtrack what to do. We have ended up with greater confusion than we had when we started."

The then Transport Minister Keith Hill said: "Re-nationalisation would probably take a couple of years and involve complex and controversial primary legislation. During that time, the industry would effectively be paralysed.

"The initial costs to the taxpayer would comprise not only Railtrack's market capitalisation of around £2.5 billion at the current stock market valuation but £4 billion of debt liabilities.

"None of that money would buy additional rail investment. It would all go towards compensating shareholders and funding the company's debt.

"Renationalisation would also involve the public sector in directly funding Railtrack's investment. The additional debt through which the company currently plans to finance its activities would become public sector borrowing.

"After years of fragmentation and instability, the answer is not yet more upheaval. What we now need is evolution rather than revolution.

"It has been argued that the public money going to Railtrack should generate an equity stake.

"However, the money that the Government will be paying Railtrack, in renewal grants for the west coast main line, for example, is to meet the cost of improvements to the network.

"An equity stake would have to be paid for on top of that money, and it is not clear what the taxpayer would get in return for the extra cost beyond a right to dividends.

"Let me continue by responding to the proposal that Railtrack should be converted into a public not-for-profit stakeholder trust. There are serious drawbacks to that idea.

Public trust

"The first is that the taxpayer would have to foot the bill for buying Railtrack. The second is that a public trust's spending would be public expenditure.

"The trust would have to fund all its investment from public resources, potentially trebling the public expenditure cost of enhancements.

"We believe that the money would be better invested in education and health, where there are no alternative sources of funding. The Government believes that renationalisation or the purchase of a large and costly public equity stake in Railtrack is not necessary to ensure that the company meets its public service obligations.

"We need an appropriate framework of incentives and regulation, within a coherent strategy of public-private partnership for the railways and our transport system as a whole. The 10-year plan provides the broad framework.

"Rail investment is an area of public policy of considerable complexity, but on the whole the picture is very encouraging."

Rail freight

During questions in the Commons on 24 April, Jim Dobbin (Lab, Heywood and Middleton) asked what progress had been made in transferring freight from road to rail?

He asked whether there is an imbalance in a process that allocates the equivalent of about £7billion in Government funds to the road haulage industry over 10 years, and £3.4billion to rail freight?

He added: "That makes it difficult for rail freight to compete. The Treasury should consider creating a level playing field."

Mr Hill: "The Rail Regulator published his provisional conclusions on rail freight charges.

"His proposals halve access charge revenues paid by freight operators to Railtrack, and bring greater transparency to the charging regime.

"Over the next five years, the bill for that income reduction will be about £450million.

"That is in addition to the massive £4billion in public and private funding set out for rail freight in the 10-year plan, and represents a significant further contribution to the Government's objective of achieving 80% growth in rail freight traffic by 2010.

David Watts (Lab, St Helens N) asked: "Isn't the development of a north-west direct freight line to Europe crucial to the well-being of the north-west?"

Mr Hill: "If my friend is talking about the reuse of the Woodhead tunnel, the Government is enthusiastic to

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