

Template for costing the policies of opposition parties

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Description of policy
<p>“Labour plans to reform the railways to get a better deal for taxpayers and passengers by...Creating a new guiding mind for the railways, bringing Network Rail together with a new representative passenger rail body to contract routes, co-ordinate services and skills in the industry, oversee stations, fares and ticketing, and ensure customer satisfaction across the network.”</p> <p>Source in the Miliband press release: http://press.labour.org.uk/post/93493956279/miliband-calls-for-a-tough-cap-on-fares-and-radical</p>
Additional policy assumptions
<p>Assume that a new body is created which has sufficient resources to:</p> <ul style="list-style-type: none">- bring Network Rail together with a new representative passenger rail body to contract routes;- co-ordinate services and skills in the industry; and- oversee stations, fares and ticketing, and ensure customer satisfaction across the network.
Additional technical modelling assumptions or judgements required
<p>Almost all of the functions of the proposed Guiding Mind already exist and are performed by other organisations:</p> <ul style="list-style-type: none">- the Office of Rail Passenger Services (which comes into being on 1 November 2014) within DfT is responsible for contracting routes – letting and managing franchises;- the National Skills Academy for Rail Engineering, the Rail Delivery Group and the newly-formed Rail Supply Group, in collaboration with Rail Executive within DfT, coordinate skills in the industry;- other parts of Rail Executive within DfT are responsible for overseeing fares and ticketing;- Network Rail is responsible for coordinating services (through timetabling) and overseeing stations; and- Passenger Focus is responsible for measuring customer satisfaction. <p>As such, most of the operating costs of the Guiding Mind are not new, and would relate to the re-organisation and re-allocation of existing budgets rather than additional spending. However, there would be:</p>

- one-off set-up costs in re-organising elements of the existing system to establish the new Guiding Mind;
- ongoing costs associated with the administration and remuneration for the bodies new management arrangements (and possibly other duplicated costs and interface costs) for the Guiding Mind; and
- possibly in the longer run some efficiency savings resulting from merging different elements of different organisations.

This is underpinned by the assumption that the Guiding Mind is distinct and legally separate from Network Rail, given that European legislation requires separation of infrastructure and train services.

In addition, the Labour Party proposal envisages the creation of a 'new representative passenger rail body'. The assumption made for the purposes of this assessment is that this would complement but not replace Passenger Focus. This is based on a strict interpretation of the words used by the opposition that they would create a "new" body, and also on the basis that Passenger Focus is responsible for undertaking 'research throughout the year, seeking the views of passengers across the country' but is not involved in 'contracting routes' through contributing to evaluation of bids in the franchising process as is envisaged based on a strict interpretation of the words used in the announcement.

In total, the additional costs of the new Guiding Mind can be estimated as follows:

- set-up costs (subject to wide variation, depending on choices on organisation, recruitment, premises, and not possible to estimate accurately on the basis of the information available);
- extra administration costs from having a new Board arrangement across the different functions, which have been benchmarked to the Board costs of the Strategic Rail Authority (£560k in 2003-04), uprated for inflation to become £770k per annum in 2014 prices;
- a new representative passenger rail body costs, where costs could be benchmarked to the annual running costs of Passenger Focus, £4.9m per annum in 2014 prices; and
- potential longer-run efficiency savings resulting from exploiting synergies and removing back office duplication (impossible to estimate with any accuracy on the basis of the information available).

Therefore, the total additional ongoing running costs of the Guiding Mind are estimated at around £5.7m per annum, albeit with unquantified additional set-up costs in the first year, and unquantified efficiency savings from exploiting synergies and back office duplications in the medium to longer term.

If needed, information required on distributional effects of the policy

None.

Cost/Revenue to the Exchequer over five years

Additional costs compared to the current arrangements are estimated as follows:

	DEL					AME				
	Start-up cost	Year 2	Year 3	Year 4	Year 5	Start-up cost	Year 2	Year 3	Year 4	Year 5
Current	£5.7	£5.7m	£5.7m	£5.7m	£5.7m					
Capital										
Total	£5.7	£5.7m	£5.7m	£5.7m	£5.7m					

Distributional effects (if none requested, any significant):

None.

Comparison with current system (if applicable):

Other comments (including other Departments consulted):

This costing was produced by the Department for Transport on behalf of the Treasury. Some amendments were made by the Treasury on discussion and agreement with the DfT.

Between 2001 and 2005, the Strategic Rail Authority's responsibilities, some of which overlap with those proposed for the Guiding Mind, included providing strategic direction, consumer protection, development of rail freight and administering freight grants, steering forward investment projects, and letting and managing passenger franchises. The Strategic Rail Authority was distinct from, and worked with, first Railtrack then Network Rail which successively took responsibility for infrastructure management.

In the 2003-04 financial year, the Strategic Rail Authority employed on average 429 staff (excluding Board members) to carry out its core activities.

To be completed by Permanent Secretary's Office
Date costing signed off:

26/09/2014

[If applicable]
Date revised costing signed off: