

THE FINANCIAL CONSEQUENCES OF THE PLAN

A summary, in broad terms, of the improvements in the working results of British Railways which it is estimated will result from the measures and proposals described in the plan is given below. Some of the savings would be more direct, immediate, and calculable, than others, but where ranges are shown they give a rough indication of the measure of uncertainty.

To a large degree, proposals included in the plan are interdependent. Condensation of the system, elimination of uneconomic services and traffics, reduction in rolling stock, through-train working at the expense of wagon forwarding, the build-up of traffic on the main route network, and reduction of administrative expenses, are all closely linked. Therefore, realisation of many of the savings depends upon adoption of the plan as a whole. If the plan is implemented with vigour, however, much (though not necessarily all) of the Railways' deficit should be eliminated by 1970.

It is also important to realise that the elimination of cost factors will exceed the net savings expected from the various changes, and this will reduce the vulnerability of the Railways to further cost increases. At present, increases in the costs associated with the large volume of hopelessly unremunerative activities progressively undermine the potentially good railway services.

These estimates are not fully additive but are not subject to any serious measure of overlap.

The list is not an exhaustive summary of the measures referred to in the body of the Report. In particular, whilst some of the estimates reflect improvements in efficiency associated with major changes, no figure is included to cover the summation of a multiplicity of efficiency improvements of a more detailed kind, which could be made with or without the plan. At this time, and in the face of great change, it would be unrealistic to formulate such an estimate, but there can be no doubt that higher standards of utilisation of staff and equipment will bring substantial rewards.

The proposals in respect of the continued replacement of steam by diesel traction, the introduction of Liner Trains, and the reorganisation of the arrangements for Sundries traffic, would involve capital expenditure of the order of £250 m. There would, therefore, be a substantial rise in interest charges to set against the estimated financial improvement credited to these proposals.

In addition to the proposals referred to in the plan, major modernisation works are already in hand, including the electrification on the London Midland Region. These modernisation works will themselves contribute to the improvement in the financial position of British Railways.

	<i>Estimated financial improvement of the order of £ m. per annum</i>
Discontinuance and rationalisation of stopping passenger services and closure of stations to passenger traffic (after allowing for loss of contributory revenue)	18
Subsequent closure of lines and reduction from passenger to freight standard of maintenance of other lines following the withdrawal of	11-13

services and closure of stations	
Discontinuance of local freight services and closure of stations to freight traffic (after allowing for the preservation of potentially good traffics by alternative arrangements)	5-10
Direct savings arising from closures	34.41
Reduction in the fleet of gangwayed passenger coaches by the withdrawal of the stock reserved for peak traffics (after allowing for some loss of earnings)	2-3
Reduction in the fleet of wagons	10-12
Rationalisation of workshops—reduction in standing charges (apart from the effect of the fall in work load)	4
Continued conversion of steam to diesel traction	15-20
Reduction in the expenses of working coal traffic by— (a) the establishment of coal concentration depots in collaboration with the National Coal Board and the distributors, and (b) increased movement of coal in block train loads following the provision of train loading facilities at collieries	7-10
Concentration of sundries traffic	15-20
Introduction and development of Liner Trains—net earnings in five years time, say	10-12
Reduction in the loss on existing unprofitable traffics by commercial measures, say,	5-6
Additional net earnings assuming that traffic not on rail but which on several screenings, including cost screening, is seen to be favourable to rail, is secured to the extent of half the potential volume in the next five years; say,	10-15
Reduction in the expenses of general administration	3-4

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OTHER FACTORS INFLUENCING THE FUTURE ROLE OF THE RAILWAYS

The proposals put forward in this Report have been formulated for the purpose of shaping the railways towards a sound and viable condition in the future, without assuming any major changes in the role which they are expected to fill or in the framework within which they are expected to operate. The Railways Board is aware, however, that direct measurement of profitability is not the only criterion which can be applied when determining the best use of railways as a part of the transport system, in relation to the social and industrial structure as a whole. The Board is satisfied, however, that, although they have not shaped their proposals upon the basis of hypothetical changes beyond their control, or with regard to responsibilities which do not at present rest upon them, none of the proposals put forward here does violence to concepts which others might reasonably have wished to include.

Factors which need mentioning in this connection are: —

- (i) Rationalisation of transport as a whole.
- (ii) Total social benefit, as distinct from immediate profit.
- (iii) Long-term trends in location of industry and population.
- (iv) Prevention of industrial growth by withdrawal of railway services.

Rationalisation of Transport as a Whole

Consideration of the best use of national resources will lead most people to the conclusion that some co-ordination of the various modes of transport is necessary. This view is bound to present itself very forcefully to those responsible for railways, which are especially vulnerable to uncontrolled development of transport capacity, because of their high fixed investment and their correspondingly high break-even level of frame. Nevertheless, sound co-ordination must be based upon the use of each form of transport for those purposes for which it is the best available means, and, as has already been emphasised, all the changes proposed are directed towards making the railways best in fields where they clearly have the potential to be so, and towards withdrawing them from fields in which they are clearly not the best means of meeting the need. Between these two fields in which the case is black and white, there is a wide field over which the balances between road and rail, or rail and air, might be critically influenced by future changes in circumstances or legislation. But none of the present proposals penetrates into this field to the point of prejudicing future judgments.

Any deliberate influencing of the balance between different forms of transport, in future, is more likely to be in favour of the railways than against them. This would improve the financial position of the densely loaded main lines, and increase the proportion of intermediately loaded routes which could be made viable in future, but it could not, within the bounds of reason, be carried so far as to justify the network of lightly loaded routes which are to be closed.

Total Social Benefit

It might pay to run railways at a loss in order to prevent the incidence of an even greater cost which would arise elsewhere if the railways were closed. Such other costs may be deemed to arise from congestion, provision of parking space, injury and death, additional road building, or a number of other causes.

It is not thought that any of the firm proposals put forward in this Report would be altered by the introduction of new factors for the purpose of judging overall social benefit. Only in the case of suburban services around some of the larger cities is there clear likelihood that a purely commercial decision within the existing framework of judgment would conflict with a

decision based upon total social benefit. Therefore, in those instances, no firm proposals have been made but attention has been drawn to the necessity for study and decision.

Long-Term Trends in the Location of Industry and Population

No novel assumptions have been made about the future distribution of population and industry in the country as a whole. Implicitly, it has been assumed that the pattern will continue to be basically similar to that which exists at present and that, while there may be a continuation or a reversal of existing trends, there is not likely to be any change so radical as to affect the desirability of building up as much as possible of the main line network of services, or of withdrawing rural services which are lightly used both because of low population density and because of the growth of alternative means of transport.

The trend towards concentration of industry and population in the South-East is unfavourable to the future of the main line network of the railways and it would be beneficial if it were reversed. Failure to suppose any reversal of the trend has not, however, led to any proposal to modify main line routes.

The building of a Channel Tunnel will also have a favourable effect on the railways, unless it greatly intensifies migration to the South-East, but, here again, the benefit will be to the main line traffics and, perhaps in particular, to Liner Train types of service. Nothing prejudicial to future rail developments in connection with a Channel link is proposed, and Liner Train services will be planned with the Tunnel in mind.

Prevention of Industrial Growth by Withdrawal of Railway Services

The point has been made in the previous section that there is no proposal to weaken the main line network within the country, so that there will be no inhibition of a general re-location of industry and population as a result of the proposals put forward. It can be argued, however, that re-location on a smaller scale may be affected by closure of lightly used branches and extensions of the main routes.

This may conceivably be true, but it must be recognised that most of the lines to be closed have already been in existence for some fifty to a hundred years, and their existence has not induced development so far. Indeed, in most cases the trend has been in the opposite direction. Therefore, in formulating proposals for line closure, all the Railway Regions have taken account of any developments which are sufficiently specific to be probable, but have not been influenced by quite unsupported suggestions that something might happen some day.