

OFF THE RAILS:

transit costs and user charges

PUBLIC transport in Britain is at the centre of a political tug-of-war game. The need is to ensure the best use of limited resources.

Road space in city centres is at a premium, and the relative costs of public and private transport should be set to make the best use of it.

At the root of the current political argument is the conflict between public pressure for cheap fares and political pressure for public transport to "pay its way".

The debate is clouded by the failure to weigh all the costs and benefits of public transport. As a consequence, a series of policy reverses has wrought havoc with fares and time-tables, giving plenty of work to people who print lists of fares and alter ticket machines.

Unfortunately, it has not made it any easier to travel, either by public transport or by car. The roads of Central London are choked, while the buses sometimes travel almost empty.

Political uncertainty has had a particularly damaging effect on British Rail, which has sustained a series of damaging blows in recent years.

- Proposals for large-scale electrification were called in for scrutiny by the government, and much more stringent financial criteria are to be applied, making new electrification unlikely.

- 1982 was marked by a succession of strikes, firstly by ASLEF (the drivers' union), then by the NUR (the other railwaymen's union), and finally, as soon as the NUR strike was over, ASLEF again!

- The final straw for the railways was the Serpell Report, which concluded that if the railway system were reduced to the main trunk routes, it could make a small profit.*

ALTHOUGH the Serpell Report has been widely condemned, it deserves to be taken seriously, as it hints at certain problems which afflict most public transport organisations in Britain: they are not organised in a way which makes the best use of the talents of staff who are, on the whole, dedicated to the service.

On the engineering side, especially on British Rail, there is a tendency to go for expensive solutions. Examples

are the elaborate new signalling system being installed on the London to Brighton line, and the new stock on the Bedford line, which will displace trains little more than twenty years old, only half way through their service life; for a fraction of the cost of new stock, the old trains could have been refurbished and converted for electric traction.

On the functional aspects of British Rail, the Serpell Report is a useful

IT IS TIME to re-examine the basis on which public transport economics are calculated.

The failure to assess the impact of transport systems on land values is a major defect in balance sheet exercises, argues **HENRY LAW.**

If it were taken into account, we could well discover that public transport systems are paying their way already.

Such an exercise would radically alter our perception of the costs involved, and may suggest the need for greatly increased investment.



analysis, although the weaknesses of British Rail are those of most large public bureaucracies, and many private ones, too. A possible solution is some kind of restructuring, with private capital and management involved, and a measure of local control.

On the crucial financial side, however, the report has little to contribute. It omits to point out that the tax system is one cause of the railways' difficulties. It is not generally realised that employers' and employees' National Insurance contributions and employees' income tax are, in reality, all a burden carried by employers.

Strictly speaking, the workers' wages are what they receive in take home pay; PAYE (income tax) and Insurance contributions are effectively a payroll tax levied on the employer since, for every £1 received by the workers, the employer has to pay about 50p to the government.

This applies to all employment, but it has an especially damaging effect on labour-intensive industries such as public transport, particularly if overtime working is prevalent, as on the railways.

It is unfortunate, though predictable, that Serpell neglected to mention the payments British Rail makes to the Exchequer in the form of "employees' income tax contributions".

THE SERPELL Report's most serious shortcoming is looking no further than the railways' receipts from passenger fares and freight traffic.

Railways generate invisible earnings which are rarely identified on balance sheets.

The advantage of a good rail service is one of the factors which determine land values, as railways have a considerable influence on the prosperity of the areas they serve.

- The viability of a town such as Brighton is largely due to the excellent train service, which brings the resort into easy commuting distance from London and makes it a favourite choice for a day by the sea; indeed, property values in Brighton are largely sustained by the railway.

- Other evidence of the influence of railways on property values is furnished by a study made by London Transport after the Victoria Line tube was built in 1968. There was an increased demand for flats in Highbury, houses in Walthamstow and offices in the Victoria and Warren Street areas; in this respect, railways enhance land values just as roads do, and similar effects can be observed as the M25 motorway takes shape around London.

Although the precise relation between railways and land values cannot be measured exactly, the effect is real enough, and if the railways' invisible earnings were openly acknowledged, their true value would be apparent.

*Railway Finances, London: HMSO, £6.75.