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# UK suspends rail franchise system after passenger numbers slide Move will last for at least six months as coronavirus disruption takes toll


The British government has suspended the rail franchise system in a move that effectively nationalises any losses by railway companies for the next six months as the disruption from the coronavirus pandemic hits passenger numbers hard. The Department for Transport announced on Monday that it would temporarily end normal franchise agreements and transfer all revenue and cost risk to the government for at least half a year. Operators will continue to run services day to day for a small management fee under an "emergency measures agreement", it said. Ministers said that the alternative — allowing railways to enter insolvency — would have led to even more disruption and a greater cost to taxpayers. The government had already agreed with train operators that services would be reduced by half from Monday because of the collapse in passenger numbers due to coronavirus. The number of people using the railways has plunged 70 per cent since the pandemic began. The DfT urged everyone other than key workers to avoid using trains during the crisis. "No other passengers should travel," it said. All season ticket holders will be able to claim a refund for time unused on their tickets, free of administrative charges. The government said it took the decision to intervene because of the damaging impact of the drop in rail fare revenue on train companies. One government official said the move would cost several billion pounds, although the precise figure would depend on how far passenger numbers fall and for how long. According to the Office of Rail and Road revenue from fares across the UK rail sector in the financial year 2018/19 was £866m a month. Many rail operators were already struggling before coronavirus. Two operators had already been nationalised and the government had indicated it could nationalise two others within months, with several others also in trouble. It commissioned a review into the franchising system by Keith Williams, former chief executive of British Airways, in September 2018 but it has yet to be published. The effective nationalisation of the railways means the state will pay each operator a fee, dependent on performance, up to a maximum of 2 per cent of the cost base of the franchise. The government said the fees were needed to “incentivise operators” to meet reliability, punctuality and other targets and would be far less than recent profits earned by train operators. The state will also cover the costs of each operator and said any company that refused the emergency measures agreements would have its franchise nationalised. Roger Ford, industry and technology editor at specialist publication Modern Railways, said the costs of running rail were largely fixed, so with drastically cut revenue streams the government would be “paying out a lot more” for the reduced service. Coronavirus: why the west will be hit harder The Rail Delivery Group, which represents the industry, said the move would allow providers to focus on delivering “vital services”, although it said details were yet to be finalised. Matthew Gregory, chief executive of FirstGroup, which runs four franchises, said the “swift and comprehensive offer of emergency measures” meant “certainty” for its rail operations. Other operators including Abellio, the Dutch state-owned operator that runs Greater Anglia and ScotRail, also welcomed the news. Grant Shapps, transport secretary, said the government was acting to protect key workers and frontline rail staff. “People deserve certainty that the services they need will run or that their job is not at risk in these unprecedented times,” he said, adding that passengers would get refunds on any tickets bought in advance. It was not immediately clear, however, if government would take responsibility for the pension contributions to the industry retirement scheme. The trustees of the Railways Pension Scheme have not had direct discussions with the government over its intervention. In 2018, employer contributions to the scheme amounted to £371m. Andy McDonald, shadow transport secretary, backed the measures. He said the Labour party — which believes that the railways should be entirely state-run — would welcome an “honest debate” on the future of the transport system after the crisis. Mr Ford said if revenue recovered slowly after the crisis had passed, the intervention may have to be extended. He said it could “reset” planned reforms of the rail franchising system that had been due to be guided by the Williams Review that was expected to conclude the franchising system had “had its day”. Mr Ford added: “The railways are going to be run on this basis for some time yet. What comes after this, who knows?” Additional reporting by Josephine Cumbo.