The state of the railways

Last year Network Rail announced another £232m of losses on financial derivatives, following a £982 m loss the previous year. The company sees that as a technical write down of derivatives which might change, but the last two years have been negative.

I am glad that after I raised this issue before, the government has asked the company not to take out new derivatives and has agreed more direct Treasury financing of what is in effect a nationalised company. Stopping additional risks and potential losses from this source is a step forward.

The Company also accepted in its last Annual Report that it did not have proper control over the costs of some major projects and has promised to do better in the future. It reported a £200m shortfall on its efficiency targets. Only 89% of trains were on time, below target, and more than 3% were cancelled altogether.

As the relatively new management admit, the railway is short of capacity on busy routes at peak times. It needs to get on with modern digital sysyems to replace traditional signals, as this would be the cheapest way of raising capacity relatively quickly. What is odd is how in their enormous budget they do not seem to prioritise this sufficiently.

The Treasury has offered them more borrowings, but is also requiring that they step up their property asset disposals. There is still huge scope for property development on surplus or underused railway land, especially at main stations. Stations can be transport interchanges, shopping destinations and workplaces with office accommodation. Easy access from the train lines is a bonus, and helps generate footfall for the shops.