COST–BENEFIT ANALYSIS, GOVERNMENT POLICY AND THE BRITISH RAILWAY NETWORK

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ABSTRACT

In 1963 the Beeching Report on Britain’s railways proposed the closure of a substantial part of the railway network (British Railways Board, 1963). Although many services were withdrawn, disquiet at the Report’s failure to analyse the social benefits of rail passenger services eventually led to the application of the technique of cost–benefit analysis to the problem of unremunerative rail services. However, although such studies revealed that the retention of many rural rail services could not be justified on social grounds, these services were not withdrawn. This paper outlines briefly the history of attempts to deal with the question of the “optimal size” of the rail passenger network. Secondly, it considers the social cost–benefit case for reducing the present size of the network in Britain and the quantifiable benefits from such a reduction. The problem of joint costs is discussed. Finally, it attempts to explain the failure of successive Governments to apply the results of cost–benefit studies in practice, and suggests how the decision-making process might be altered to facilitate a more rational approach towards public transport problems in Britain.

The History of Rail Passenger Service Rationalisation

Though the British Transport Commission, set up upon nationalization of the railways in 1948, had a statutory duty “to provide an efficient, adequate, economical and properly integrated” transport system, which implies some degree of cross-subsidisation, it recognized that there were many rail services which provided a transport service which could best be provided by alternative means. Knowledge of the losses on individual services was hampered by the failure of the old railway companies to develop efficient costing systems. Nevertheless, it was clear that stopping services as a group were hopelessly unprofitable [1]. Estimates available in 1953 to the Committee which prepared the first plans for modernisation showed that stopping services outside urban areas failed to cover even their movement costs by a margin of £14 million (Pryke, 1971: 234). The results of a census of passenger traffic during a week in October 1952 enabled the Traffic
Costing Service to produce estimates of the revenue, movement costs and terminal costs of each service, which showed that fast and semi-fast services covered direct expenses by a margin of £31 million, suburban services just about broke even on direct expenses, while other stopping services made a loss of £41 million on this basis (Pryke, 1971: 234–5) [2].

Even earlier, it had been realised that a substantial proportion of British Railways’ network was unprofitable and the BTC had initiated a closure programme which between 1950 and 1954 led to a 10% reduction in the route mileage open to passengers. After 1953, despite the BTC’s declared intention in that year to reduce stopping and branch line services substantially, the closure programme slowed down and between 1955 and 1958 only a further 5% of the route mileage was closed to passenger traffic. The reasons for this slow-down appear to be, firstly, that the regional decentralization of the period permitted most of the railway regions to delay closures, partly by claiming that closure of feeder lines would cause losses of “contributory revenue” on other services and, secondly, that BR were experimenting with dieselisation, which promised to reduce movement costs considerably (Pryke, 1971: 238–42). However, by 1960 it was clear that the improvement in the financial results of services following the introduction of diesels was not enough to restore many of them to profitability. Nevertheless, other cost-reducing measures, such as track rationalisation and the elimination of staff at stations, were rarely tried and, in 1966, it was felt necessary for the Ministry of Transport to set up a special unit to examine whether every opportunity for economies was being taken (Howe and Else, 1968: 133).

At the time of the reappraisal of the Modernisation Plan in 1959, the BTC planned that by 1964 stopping services which accounted for 33 million train-miles (53 million train-kms) would be withdrawn. Though this was equivalent to half the cuts later announced in the Beeching Plan, action was delayed because of changing Government policy. In 1960 the Government-appointed Stedeford Committee produced its never-to-be-published report on the railways, which is believed to have contained a section by Dr. (now Lord) Beeching, one of the Committee members, arguing that substantial closures would be necessary. This analysis appears to have been accepted and, soon afterwards, Beeching was appointed as head of the railways.

As Chairman first of the BTC and then of the subsequently-formed British Railways Board, Beeching initiated a series of studies of the profitability of different railway traffics. Pending announcement of the results, closures were held up and, between September 1962 and June 1963, they were suspended altogether. Beeching’s Report, published in March 1963, showed that in 1961 stopping passenger services had revenue of £30.8 million ($55 million), direct costs of £56.9 million ($102 million), allocated indirect costs of £29.8 million ($54 million), and hence deficits of £26.1