



HL Bill 21 of 2024–25

Passenger Railway Services (Public Ownership) Bill

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The [Passenger Railway Services \(Public Ownership\) Bill](#) is a short, four-clause government bill. It would remove the current requirement that passenger railway franchises be awarded to private sector operators. Instead, the bill would require the government to award new passenger railway contracts directly to a publicly owned company. New contracts would be given to public sector operators when existing rail franchises expired or were broken. This means that the government would not have to pay fees to private companies for ending existing contracts early. Alongside the bill, the government published [explanatory notes](#), an [impact assessment](#) and a [delegated powers memorandum](#).

The bill would extend to England and Wales and Scotland. While cross-border rail services are a reserved matter, the bill would not in practice impact rail services in Scotland and Wales, as these are already run by the public sector. However, procurement and certain other devolved matters engage the legislative consent process in both Scotland and Wales. Legislative consent motions have been sought in both the Scottish Parliament and the Welsh Parliament.

Bringing passenger railway services into public ownership was a Labour Party manifesto commitment. It was included in the 2024 King's Speech. While the Conservative and Liberal Democrat parties agree the railways should be reformed, the Conservative Party has said the measure is ideologically motivated. The Liberal Democrats have argued that other reforms that would immediately benefit passengers should be prioritised. The bill passed its House of Commons stages unamended.

The government has said it intends to introduce a railways bill, which would include significant system reforms, later in the session.





I. Background

I.1 Existing structure

Since the privatisation of the railways in the 1990s, both public and private sector bodies have played a part in their operation. The railways in Great Britain have the following key elements:¹

- The UK government acts as a procurement authority, network funder, and sponsor of major rail projects and rail bodies. The government is also the sole shareholder of Network Rail, the body that owns and operates most of the national rail infrastructure.
- Passenger train services are provided by different franchised operators. Most of these are specified by the UK government, with the others specified by different devolved governments or authorities. In addition, ‘open access’ operators not contracted by the government operate a small number of services on the national network, sometimes competing directly with franchised operators on the same journeys. The government has taken over the running of several franchises from private operators.
- The physical infrastructure of the railway is owned and managed separately from the train operators. Network Rail runs the majority of the infrastructure of the railway as an arm’s length body of the UK government. Network Rail also leads the process with train operators to develop the national rail timetable and allocate access to the rail network.
- The industry is overseen by an independent safety and economic regulator, the Office of Rail and Road (ORR).
- The Rail Safety and Standards Board, a not-for-profit company owned by major industry stakeholders, works with the ORR to improve safety, performance and value for money across the industry.

Powers over the railways are partially devolved. Scottish ministers have responsibility for rail strategy and funding.² Transport Scotland, the national transport agency for Scotland, executes the Scottish government’s plans.³ The Welsh government has some powers relating

¹ Williams Rail Review, ‘[The role of the railway in Great Britain: Evidence paper](#)’, February 2019, pp 10–11.

² Office of Rail and Road, ‘[Transport Scotland](#)’, accessed 8 July 2024.

³ Transport Scotland, ‘[About Transport Scotland](#)’, accessed 8 July 2024.



to rail, including over the ‘Wales and borders’ franchise.⁴ However, infrastructure planning and the funding of Network Rail in Wales is reserved. In both Scotland and Wales, cross-border rail is reserved.⁵ Railways in Northern Ireland are completely devolved.

There are currently contracts with 10 franchised private train operators who run passenger services in England and over the Scottish and Welsh borders.⁶ In addition, there are four operators run by Department for Transport Operator of Last Resort Holdings Limited.⁷ Transferring contracts from private operators to the operator of last resort occurs when the Department for Transport decides not to renew a contract with an operator and no new provider is found. The previous government’s decisions not to renew these contracts have been because of poor performance. This includes high levels of cancellations and delays, low customer satisfaction and financial difficulties and mismanagement.⁸

1.2 Labour Party commitments

The Labour Party’s manifesto ahead of the 2024 general election included a commitment to reform the railways and bring them into public ownership.⁹ The party also published, in May 2024, ‘[Getting Britain moving: Labour’s plan to fix the railways](#)’, which set out the party’s proposals in more detail. The party said it would introduce legislation to:

[...] establish a new, arm’s length public body—Great British Railways [GBR]—which will be a directing mind in charge of Britain’s railway infrastructure and services, responsible for the day-to-day operational delivery of the railways, for ensuring infrastructure and services work together, and for innovations and improvements in the experience of passengers and freight users.¹⁰

⁴ Office of Rail and Road, ‘[Welsh government](#)’, accessed 8 July 2024.

⁵ Civil Service, ‘[Introduction to devolution](#)’, accessed 8 July 2024, p 5.

⁶ Department for Transport, ‘[Rail franchising](#)’ 3 April 2024.

⁷ Department for Transport, ‘[Public register of rail passenger contracts](#)’, 7 May 2024.

⁸ Department for Transport et al, ‘[Transpennine Express to be brought into operator of last resort](#)’, 11 May 2023; ‘[Government takes over running of LSER services in response to over £25 million breach of franchise agreement](#)’, 28 September 2021; ‘[Government decision on Northern Rail](#)’, 29 January 2020; and ‘[East Coast rail update](#)’, 16 May 2018.

⁹ Labour Party, ‘[Labour Party manifesto 2024](#)’, June 2024, p 33.

¹⁰ Labour Party, ‘[Getting Britain moving: Labour’s plan to fix the railways](#)’, May 2024, p 6.



The party said that part of its plan to achieve this would involve bringing contracts currently held by private train operators into GBR when they expire or are broken.¹¹ Labour said it expected to complete this process during its first term in office “without the taxpayer having to pay a penny in compensation to outgoing private operators”.

Open access operators would continue to be part of the rail system:

For open access operators, wherever there is a case that open access adds value and capacity to the network, they will be able to continue to compete to improve the offer to passengers.¹²

The commitment to bring the railways into public ownership was included in the 2024 King’s Speech.¹³ In its background briefing to the speech, the government said it would introduce the Passenger Railway Services (Public Ownership) Bill ahead of more comprehensive railways reform legislation. It said this bill would “allow the government to deliver its manifesto commitment to bring rail services back into public ownership, to improve passenger journeys and deliver on the mission to drive growth”.¹⁴

The government said transferring railway operations to the public sector would save the taxpayer “millions of pounds” currently paid in fees each year to private-sector operators. It said the change would ensure the railways “serve the interests of all users and the taxpayer, rather than focusing on maximising financial returns to private-sector operators”.

2. Bill provisions

The bill consists of four clauses and a schedule. The first clause would prohibit the government from extending or awarding new franchises to private companies. The second would require the government to directly award contracts to a publicly owned company. Clause 3 would introduce the bill’s schedule, and clause 4 would provide for the bill’s extent, commencement and short title.

¹¹ As above.

¹² As above.

¹³ Prime Minister’s Office, ‘[King’s Speech 2024: Background briefing notes](#)’, 17 July 2024.

¹⁴ As above, p 26.



Clause 1(2) would prevent franchising authorities (the UK, Welsh and Scottish governments) from entering into new franchise agreements or extending existing ones. As rail services in Wales and Scotland are already provided by publicly owned companies, this would impact franchises in England only.

An exception to this is set out in clause 2(3). This would provide that the government could extend a franchise agreement if it decided that it was not “reasonably practicable” to continue to provide the service by other means after an agreement had ended. The government could also enter into a new agreement, as long as it was with the same provider as the preceding agreement and started as soon as the previous one ended.

The secretary of state would be able to repeal this provision by regulations once all franchise agreements had ended and all relevant services were being provided by public sector companies. This power to amend primary legislation by regulations is termed a Henry VIII power.¹⁵ The regulations would be subject to the affirmative procedure, meaning both Houses of Parliament would have to agree to them before they could take effect.

Clause 1(3) would remove the presumption in the [Railways Act 1993](#) that relevant rail services are provided by private sector franchisees. It would create a new presumption they are provided by public sector companies.

Clause 2 sets out how the bill would amend the Railways Act 1993. Clause 2(2) would create a duty for the franchising authorities to provide, or ensure the provision of, railway passenger services when a franchise agreement ends. Clause 2(3) would provide that the authority could only fulfil this duty by making a direct award to a public sector company. These direct awards would be exempt from existing provisions in the [Public Service Obligations in Transport Regulations 2023](#) that require a 12-month notice period before direct awards are made. However, these contracts would be subject to provisions in the 2023 regulations that limit them to two years.

Clause 3 would introduce the schedule, which contains consequential amendments to the Railways Act 1993. It would also allow the government to make consequential provisions by way of statutory instrument. Any measure amending primary legislation would be subject to the affirmative procedure; all other measures would be laid under the negative procedure.¹⁶

¹⁵ UK Parliament, [‘Henry VIII clauses’](#), accessed 23 September 2024.

¹⁶ Procedures for approving statutory instruments are described in UK Parliament, [‘What is secondary legislation?’](#) (accessed 23 September 2024).



Clause 4 states that the bill would apply to England and Wales and Scotland, and would come into force as soon as it was passed. As procurement engages the legislative consent process in both Scotland and Wales, legislative consent motions have been sought in the Scottish Parliament and the Welsh Parliament.

3. House of Commons stages

3.1 Second reading

The bill received its second reading in the House of Commons on 29 July 2024. In her opening remarks, Transport Secretary Louise Haigh said transport was critical to achieving the new Labour government's priorities across all areas.¹⁷ Ms Haigh argued privatisation had failed to deliver reliable and affordable services for passengers. She said that under the previous Conservative government poorly performing private rail operators had received “new, lengthy contracts” and performance bonuses.¹⁸ She argued that “taxpayers are responsible for 50% of the rail industry's income and underwrite almost every penny spent, while profits are siphoned off to shareholders”.¹⁹

Ms Haigh highlighted that under the bill contracts would only be awarded directly to publicly owned companies when expired; this meant the government would not incur costs by breaking contracts early.²⁰ She argued the measures would save the government “tens of millions of pounds each year” in private sector fees, which could be reinvested in the railways.²¹

Ms Haigh also addressed the government's plans for further rail reform. This included:²²

- setting up GBR to run the track and the trains as one integrated system
- simplifying fares so passengers could be confident they were getting the best value

¹⁷ [HC Hansard, 29 July 2024, col 1071.](#)

¹⁸ [HC Hansard, 29 July 2024, col 1072.](#)

¹⁹ [HC Hansard, 29 July 2024, col 1073.](#)

²⁰ [HC Hansard, 29 July 2024, col 1072.](#)

²¹ [HC Hansard, 29 July 2024, col 1074.](#)

²² [HC Hansard, 29 July 2024, col 1075.](#)



- addressing overcrowding by moving rolling stock to where it was needed
- rolling out benefits such as digital pay-as-you-go and digital season tickets
- prioritising accessibility

She said the government planned to introduce separate legislation concerning these issues in the 2024–25 session.

Shadow Transport Secretary Helen Whately said the Conservative Party agreed the rail system needed reform, but argued the government’s plans were ideologically driven and there was no evidence public ownership would improve performance.²³ She said the privatisation of the railways had brought many benefits, including increases in passenger numbers and investments in rolling stock.²⁴

Ms Whately queried how the new model would lead to improvements, and whether the government would be able to find more skilled and knowledgeable staff than those currently working in the sector.²⁵ She said the government should have prioritised the other reforms, which it promised in a forthcoming railways bill.

Wera Hobhouse, Liberal Democrat spokesperson for transport, agreed the railways needed to be improved. She said that “services are poor and the ticketing system is in shambles”.²⁶ She argued that high ticket prices encouraged people to use their cars rather than take the train, working against the country’s net zero ambitions.

Ms Hobhouse said that while nationalisation was “an interesting idea”, the Liberal Democrats’ priority was benefitting passengers “right away”. She said the Liberal Democrats would freeze fares immediately, before undertaking reforms to the system. She also questioned what impact nationalisation would have on public finances, arguing that funding should not “come at the expense of other public services”.

²³ [HC Hansard, 29 July 2024, col 1076.](#)

²⁴ [HC Hansard, 29 July 2024, col 1077.](#)

²⁵ [HC Hansard, 29 July 2024, cols 1078–9.](#)

²⁶ [HC Hansard, 29 July 2024, col 1082.](#)



3.2 Committee and remaining stages

The bill was considered in a committee of the whole House in the House of Commons on 3 September 2024. As no amendments were made, it was reported without debate. Third reading took place immediately following committee stage.

The Conservative Party objected to the bill being committed to a committee of the whole House and to the time limit on its consideration.²⁷ Shadow Transport Secretary Helen Whately argued a “normal bill committee” would have allowed “the time appropriate for such a substantial and significant change”.

The Conservative Party tabled 12 amendments.²⁸ These concerned government reporting requirements, independent bodies and duties on public sector companies. None of these amendments were agreed.²⁹

The amendments relating to reporting would have required the government to lay reports before Parliament on:³⁰

- the anticipated impact of the changes within six months of the act coming into force, and a report on the actual impact after five years
- the performance of public sector companies awarded public service contracts
- the impact of the changes on open access operators
- the impact of the changes on exemptions that currently allow services in London and Liverpool to be procured by the relevant authorities in those areas, outside the franchising system

²⁷ [HC Hansard, 3 September 2024, col 199.](#)

²⁸ House of Commons, '[Passenger Railway Services \(Public Ownership\) Bill \(Amendment paper\): Committee stage](#)', 2 September 2024.

²⁹ House of Commons, '[Passenger Railway Services \(Public Ownership\) Bill: Committee stage decisions](#)', 3 September 2024.

³⁰ House of Commons, '[Passenger Railway Services \(Public Ownership\) Bill \(Amendment paper\): Committee stage](#)', 2 September 2024.



Amendments would also have required the government to instruct independent bodies to:

- monitor the financial management of public service companies running relevant services
- report on the cost to the government of contracts awarded under the bill
- assess the performance of public sector companies in managing relevant services
- review the impact of the bill on the performance and efficiency of the rail network
- advise the government on pay and conditions of employees in relevant public sector companies

Further Conservative Party amendments would have placed duties on the relevant public sector companies to:

- encourage and invest in innovation
- consider the needs of passengers, residents of rural areas, residents of areas underserved by the rail network and the wider rail network

The Conservative Party also tabled an amendment that would have required franchising authorities, before making a direct award, to provide information to the ORR on the public sector's ability to provide the relevant service. The ORR would then be required to publish an opinion on whether the public sector company could provide the service.

Responding to these amendments, Parliamentary Under Secretary of State for Transport Simon Lightwood said the reports required by the Conservative Party's amendments would duplicate information already required to be published.³¹ Mr Lightwood said existing processes meant independent bodies monitoring and reviewing processes and performance would not be necessary. He also argued that the duties proposed to be put on operators would impose unnecessary burdens, reduce flexibility, stifle cross-country working and prioritise some groups above others.

³¹ [HC Hansard, 3 September 2024, cols 255–8.](#)



On a pay and employment terms body, the minister said this was an area the government was “determined to get right” and it would be considering a number of options, including a pay review body.³²

The Conservative Party pushed its amendment on imposing a duty on public sector companies to consider the needs of passengers, residents of rural areas, residents of areas underserved by the rail network and the wider rail network to a vote. It was defeated by 362 votes to 111.³³ The committee also divided the House on its proposal for a pay and employment terms body. This was defeated by 372 votes to 113.³⁴

The Liberal Democrats also proposed amendments relating to reporting, independent bodies and exemptions. These would have required the government to:³⁵

- undertake a review of exemptions from designations to establish how the changes had affected services already under public control
- establish an independent body to advise the government on how and whether to proceed with contracts made under the bill, and lay a report to Parliament if it decided not to follow the body’s recommendations
- lay before Parliament an annual report on the ticketing effects of the public service contracts

Mr Lightwood responded that the bill would not affect services currently run locally, outside the franchising system.³⁶ He also said the Department for Transport had sufficient experience awarding contracts to publicly owned operators and therefore there was no need for an independent body to advise the government on these contracts.³⁷ On ticketing, he said the government was committed to reviewing the “overly complicated” fare system. He said ticketing changes and innovations were already underway, and once they were established Great British Railways and the new passenger watchdog would drive improvements in this area.

³² [HC Hansard, 3 September 2024, col 260.](#)

³³ [HC Hansard, 3 September 2024, cols 264–7.](#)

³⁴ [HC Hansard, 3 September 2024, cols 269–71.](#)

³⁵ House of Commons, ‘[Passenger Railway Services \(Public Ownership\) Bill \(Amendment paper\): Committee stage](#)’, 2 September 2024.

³⁶ [HC Hansard, 3 September 2024, col 260.](#)

³⁷ [HC Hansard, 3 September 2024, col 257.](#)



The Liberal Democrats pushed their amendment about reports on ticketing to a division. It was defeated by 360 votes to 82.³⁸

An amendment laid by the SNP would have required the government to lay before Parliament a report on the impact of the bill on the provision of rolling stock by rolling stock leasing companies. The government responded that the bill would not affect the provision of rolling stock and that it would not be a good use of public funds for the government to renationalise rolling stock.³⁹ Mr Lightwood said the government would develop a long-term strategy for rolling stock.

The Green Party also tabled several amendments. These would have had the effect of expanding the definition of ‘public sector company’ to enable contracts to be awarded to public sector companies owned by local elected public bodies. The minister responded that the government was committed to strengthening local involvement in the planning and delivery of rail services.⁴⁰ He said that it was, however, “important to ensure that does not undermine the plan for Great British Railways to act as a directing mind that provides coherence, consistency and clarity for the whole railway”.

As there were no amendments to report, the bill passed report stage without debate. Third reading was held immediately following committee and report stages.

4. Read more

- House of Commons Library, [‘The future of rail’](#), 28 May 2024

³⁸ [HC Hansard, 3 September 2024, cols 272–5.](#)

³⁹ [HC Hansard, 3 September 2024, col 258.](#)

⁴⁰ [HC Hansard, 3 September 2024, col 260.](#)

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