

Research Briefing

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# Passenger Railway Services (Public Ownership) Bill 2024-25



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## Summary

The [Passenger Railway Services \(Public Ownership\) Bill 2024-25](#) was introduced in the House of Commons on 18 July 2024. The bill had its second reading on 29 July 2024. Committee of the whole House and remaining stages are scheduled for 3 September 2024.

The government introduced the bill to bring franchised passenger rail services into public ownership. The services would be transferred when existing contracts end, or a contractual break point is reached.

## What does the bill do?

The [Passenger Railway Services \(Public Ownership\) Bill](#) would remove the presumption in favour of franchised passenger railway services being provided by the private sector, and instead allows train operations to be provided by a public sector company when existing franchise contracts end.

The bill is a short bill which would amend specific provisions in the [Railways Act 1993](#) and the [Public Service Obligations in Transport Regulations 2023](#) to enable this to happen.

### Clause 1

Clause 1 would prohibit the Secretary of State (or Welsh/ Scottish Ministers) from extending existing rail franchises or entering into new franchise agreements, apart from in specific limited circumstances. It would also remove the presumption in favour of franchised railway passenger services being provided by a private operator. Instead these would be provided by a public sector company under a public sector contract.

### Clause 2

Clause 2 would place a duty on the relevant franchising authority to provide or secure passenger rail services by giving a direct award to a public sector company.

Clause 2 would also give the Secretary of State the power to extend existing franchises, or to agree new franchises, with the same private sector operator as currently operates the service. This would be a risk mitigation measure, to avoid overwhelming the public sector company in the event of a number of franchises ending at the same time, or at close to the same time. This power would be able to be repealed once it is obsolete (once all franchises are in the public sector).

## Clause 3

Clause 3 would give the Secretary of State regulation making powers for consequential amendments, including for primary legislation. This is a Henry VIII power.

## Extent and commencement

The Bill extends to England, Wales and Scotland, and would come into force on the day it is passed.

## Second reading

The bill had its second reading on 29 July 2024, where it [passed by 351 ayes to 84 noes](#). While there was broad cross-party agreement about the need for rail reform, the Conservatives did not support the bill. In particular, they cited concerns that it was ideological, and that [it would not improve journeys for passengers](#). The SNP abstained. Other concerns were raised about:

- How this bill relates to the [government's wider plan for the railways](#).
- Which passenger train operators would be the [first to be brought into the public sector](#).
- What would be the [impact on public finances](#).
- Why the [rolling stock companies would not also be brought into the public sector](#).

## Background to the bill

Following the [Railways Act 1993](#), the private sector became responsible for running franchised passenger railway services with the creation of train operating companies.

The majority of passenger train services in Great Britain are operated by the private sector. In England most train operators have contracts with the Secretary of State, with the exception of some regional services (for example in London and Merseyside) and Open Access Operators. The Scottish and Welsh Governments are responsible for letting and managing passenger rail services in Scotland and Wales respectively. This bill does not apply to Northern Ireland, where the railway is [managed and operated by the public sector company Translink](#).

Alongside this bill, the government has also [committed to introducing a Railways Bill](#). This would introduce further legislative changes to comprehensively reform the rail sector.

## Reaction to the Bill

Given the short timeframe between the announcement of the bill in the 2024 King's Speech and its publication, reaction has been limited. The transport watchdog, [Transport Focus](#), [welcomed the commitment](#) to bring train operators back into the public sector. [Trade Unions have said it is the "right decision](#), at the right time". However, Rail Partners, who represent the interests of private sector train and freight operators, have [argued nationalisation will increase costs](#).

Currently, there are ten privately-operated rail passenger services with [National Rail Contracts](#). Concerns have been raised that the scale and complexity of nationalising passenger services [will put pressure on Department for Transport \(DfT\) Operator of Last Resort \(DfT OLR Holdings Limited, DOHL\)](#), the public company responsible for ensuring continuity of rail services if a passenger franchise terminates.

The Shadow Transport Secretary [Helen Whately wrote on X \(formerly known as Twitter\) that nationalisation will not bring fares down](#) or improve service reliability. Wera Hobhouse (Liberal Democrats) also noted [it was not clear how nationalisation would reduce the cost of train travel](#).

It is unclear which would be the first franchise to be nationalised after this bill receives Royal Assent. The Greater Anglia and West Midlands Trains contracts core terms expire in September 2024, but the government has not indicated whether these contracts will be brought under public ownership as soon as possible after that point or if they will continue to their final expiry dates in September 2026. If the government does not end these contracts at the end of their core term, then the first contracts to be nationalised may be South Western Railway on 25 May 2025 and Essex Thameside (operated by c2c) on 20 July 2025. However, some media reports have indicated that [underperforming train operators may be nationalised sooner](#) if they are not meeting performance targets.

The government anticipates that [all franchised contracts will have expired by October 2027](#) [PDF].

# 1 Introduction

The [Passenger Railway Services \(Public Ownership\) 2024-25](#), Bill 003, was introduced in the Commons on 18 July 2024. It had its second reading on 29 July 2024.<sup>1</sup> The bill's remaining stages and a committee of the whole House,<sup>2</sup> are scheduled for 3 September 2024.<sup>3</sup>

The bill, together with its explanatory notes, delegated powers memorandum and an overview of its parliamentary progress, are available on Parliament's [Passenger Railway Services \(Public Ownership\) Bill webpage](#).

The bill was announced in the [2024 King's Speech](#), which explained that the bill would bring franchised train operators into public ownership.<sup>4</sup> The accompanying briefing notes to the speech said the bill would “amend existing railways legislation so that appointing a public-sector operator is the default position rather than merely a last resort”.<sup>5</sup>

The bill has four clauses and one schedule and extends to England, Wales and Scotland, and would come into force on the day it is passed.

The bill includes two clauses which would grant Henry VIII powers:<sup>6</sup>

- Clause 2(3) would give the Secretary of State the power to repeal two sections inserted into the Railway Act 1993 by this bill (to enter into new franchises or temporarily extend existing ones) once all franchises have been brought into public ownership.
- Clause 3(2) would give the Secretary of State the power to make consequential amendments.

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<sup>1</sup> [Passenger Railway Services \(Public Ownership\) Bill 2024-2025](#)

<sup>2</sup> “A Committee of the whole House is sometimes used instead of a Public Bill Committee for some or all of a Bill's committee stage in the Commons. It takes place in the main chamber and allows all MPs to take part in the debate and to vote on the Bill's contents. When the House sits as a committee it is chaired by the Deputy Speaker from a seat at the Table of the House. Committees of the whole House are favoured for Bills of constitutional or ethical importance and for parts of the annual Finance Bill.” (UK Parliament, [Committee of the whole House](#) [accessed 25 July 2024])

<sup>3</sup> [Passenger Railway Services \(Public Ownership\) Bill 2024-2025](#)

<sup>4</sup> Prime Minister's Office and His Majesty King Charles III, [The King's Speech 2024](#), 17 July 2024

<sup>5</sup> Prime Minister's Office, [King's Speech 2024: background briefing notes](#), 17 July 2024, p26

<sup>6</sup> “‘Henry VIII clauses’ are clauses in a bill that enable ministers to amend or repeal provisions in an Act of Parliament using secondary legislation.” (UK Parliament, [Henry VIII clauses](#) [accessed 25 July 2024])



The bill will require a money resolution.<sup>7</sup> This is due to potential transaction costs associated with entering into new or extending existing franchises, as well as the possibility that financial assistance currently provided to franchised train operators will increase once these services are taken over by a public sector operator.<sup>8</sup>

More detail on the bill can be found in section 3 of this briefing.

## 1.1

### Why is the government legislating?

As part of its plan for the railways, Labour committed to renationalising franchised passenger train operators.<sup>9</sup>

In a DfT press release after the King's Speech, Louise Haigh, the Secretary of State said:

The privatisation model is failing passengers day in, day out. Publicly-owned passenger rail will put an end to years of waste and fragmentation on our railways and establish a more efficient, higher quality and reliable service.

The new laws will ensure rail services are run with the passengers put first.<sup>10</sup>

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<sup>7</sup> “A money resolution must be agreed to by the House of Commons if a new bill proposes spending public money on something that hasn't previously been authorised by an Act of Parliament. Money resolutions, like Ways and Means resolutions, are normally put to the House for agreement immediately after the bill has passed its Second reading in the Commons.” (UK Parliament, [Money resolutions](#) [accessed 22 July 2024])

<sup>8</sup> [Explanatory Notes \(PDF\)](#), paras 33-5

<sup>9</sup> Labour Party, [Getting Britain Moving: Labour's Plan to Fix Britain's Railways](#), 25 April 2024, p24

<sup>10</sup> DfT, [Public ownership of rail takes centre stage as government plans radical overhaul of transport](#), 18 July 2024

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## 2 Background to the bill

### 2.1 Rail privatisation

The Railways Act 1993 changed the structure of the railway industry.<sup>11</sup> Before the 1993 Act, the rail industry in Great Britain was organised in the form of a single, publicly owned and integrated company, British Rail, which managed the infrastructure and provided passenger and freight services throughout the country.

Under the Railways Act, over a relatively short period, British Rail was split up into over 100 private companies.<sup>12</sup> The private sector became responsible for running passenger services with the creation of train operating companies. Further private companies were set up for buying and leasing trains (rolling stock companies), running freight services (freight operating companies) and managing the infrastructure (though following the collapse of Railtrack into administration, many of its responsibilities were brought back into the public sector by being transferred to Network Rail).<sup>13</sup>

Section 3.1 of the Library briefing [The future of rail](#) (May 2024) provides further information on the privatisation of rail in the 1990s.

### 2.2 British passenger train operators

The majority of passenger train services in Great Britain are operated by franchised train operators. There are also a small number of open access train operators, including Lumo, Grand Central, Hull Trains, Heathrow Express and Eurostar. These do not have a contract with a relevant franchising authority (see section 3.3 of this briefing), and instead assume all revenue risk for operating services.<sup>14</sup> The Passenger Railway Services Bill does not apply to open access operators.

The bill also does not apply to railways in Northern Ireland, which are devolved and governed by separate legislation, and managed by the public corporation Translink.<sup>15</sup>

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<sup>11</sup> [Railways Act 1993](#)

<sup>12</sup> House of Commons Library, [Rail structures, ownership and reform](#), CBP 7992, July 2017

<sup>13</sup> House of Commons Library, [Rail structures, ownership and reform](#), CBP 7992, July 2017

<sup>14</sup> Office of Rail and Road, [On the right track: Open access explained](#), 12 June 2019

<sup>15</sup> House of Commons Library, [Rail FAQs](#), CBP 8731, 7 September 2022, Section 1.2

## England

In England most franchised train operators operate under contracts with the Secretary of State, apart from in London and Merseyside, where responsibility for contracting some passenger services has been devolved.<sup>16</sup> The concession agreements awarded by Transport for London for London Overground and Elizabeth Line services, and awarded by the Liverpool City Region Combined Authority for Merseyrail, are outside the scope of this bill.

Four train operators are currently operated by the Department for Transport's (DfT) Operator of Last Resort (DfT OLR Holdings Limited, DOHL). DOHL is the government's Operator of Last Resort (OLR), which provides continuity of services when a franchise ends or is terminated and there is no franchise to immediately replace this.<sup>17</sup> DOHL has taken over the operation of LNER, Northern Rail, Southeastern, and TransPennine Express.<sup>18</sup>

The other ten franchised train operators with contracts with the Secretary of State are currently operated by private companies. The [DfT's public register of rail passenger contracts](#) contains a list of the contracts for each operator.<sup>19</sup>

## Scotland

The Scottish Government is responsible for letting and managing ScotRail and Caledonian Sleeper services.<sup>20</sup> Scottish Rail Holdings, a public company, is responsible for both ScotRail and Caledonian Sleeper.<sup>21</sup> Hence, in effect, passenger rail services are already nationalised in Scotland.

## Wales

Transport for Wales (TfW) was established in 2015 as a wholly Welsh Government owned company. TfW is responsible for the Wales and Borders franchise.<sup>22</sup> As with Scotland, passenger rail services are already effectively nationalised in Wales.

## 2.3

## Rail reform

Alongside this bill, the 2024 King's Speech also included a commitment to introduce a Railways Bill. This is expected to be a wider bill, which would introduce further legislative changes to comprehensively reform the rail sector, including:

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<sup>16</sup> [Railways Act 1993](#), Section 24

<sup>17</sup> DOHL, [About us](#) [accessed 22 July 2024]

<sup>18</sup> DOHL, [About us](#) [accessed 22 July 2024]

<sup>19</sup> DfT, [Public register of rail passenger contracts](#), 7 May 2024

<sup>20</sup> [Railways Act 2005](#)

<sup>21</sup> Scottish Rail Holdings Limited, [Scottish Rail Holdings](#) [accessed 19 July 2024]

<sup>22</sup> [The Welsh Ministers \(Transfer of Functions\) \(Railways\) Order, SI 631](#)

- Vertical integration (“bringing track and train back together”).
- The creation of Great British Railways, a “directing mind” responsible for the management of the network and the delivery of passenger services.
- The creation of a new passenger watchdog, the Passenger Standards Authority, who will be responsible for independently monitoring standards and championing improvements in service performance.
- Reform of the ticketing system.
- A statutory duty for Great British Railways to promote rail freight, including a rail freight growth target.
- A continued role for open access operators, where they “add value and capacity to the network”.<sup>23</sup>

The Library briefing [The future of rail](#) (May 2024) provides further information on rail reform.

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<sup>23</sup> Prime Minister’s Office, [King’s Speech 2024: background briefing notes](#), 17 July 2024, pp30-1

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## 3 The Passenger Railway Services (Public Ownership) Bill

The bill has four clauses and one schedule.<sup>24</sup>

### 3.1 Extent and application

The bill extends and applies to England, Wales and Scotland. Annex A of the explanatory notes explains the territorial extent and application of the Bill's clauses and schedule across the United Kingdom.<sup>25</sup>

### 3.2 Devolution and legislative consent

In both Scotland and Wales, railway services are reserved to the UK Parliament.<sup>26</sup> However, Scottish and Welsh Ministers are the respective franchising authorities for the ScotRail, Caledonian Sleeper and Wales and Borders franchises.<sup>27</sup>

The bill would make changes to the Public Service Obligations in Transport Regulations 2023, which means it also relates to procurement. While procurement is devolved,<sup>28</sup> since this bill relates to procurement of railway services, this is reserved to the UK Parliament.

### 3.3 Definitions

This bill (and the Railway Act 1993) uses the term “relevant franchising authority” to refer to one of the Secretary of State, Scottish Ministers or Welsh

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<sup>24</sup> [Passenger Railway Services \(Public Ownership\) Bill 003 2024-25 \(as introduced\)](#) [PDF]

<sup>25</sup> [Explanatory Notes \[PDF\]](#), Annex A

<sup>26</sup> [Head E, Part II, Schedule 5, Scotland Act 1998](#); [Head E, Part 2, Schedule 7A, Government of Wales Act 2006](#)

<sup>27</sup> [Railways Act 1993](#), Section 23

<sup>28</sup> [Procurement Reform \(Scotland\) Act 2014: statutory guidance](#), accessed 22 July 2024, para 1.3; [The Utilities Contracts \(Scotland\) Regulations 2016](#), Section 11; [Para 194, Part 3, Schedule 7a, Government of Wales Act 2006](#)

Ministers, depending on who is responsible for agreeing the franchise (see section 2.2 of this briefing).<sup>29</sup>

The bill uses the term “public sector company” to mean a company that is:

- (i) wholly owned by the Secretary of State, the Welsh Ministers or the Scottish Ministers,
- (ii) jointly owned by the Secretary of State and the Welsh Ministers, or
- (iii) jointly owned by the Secretary of State and the Scottish Ministers.<sup>30</sup>

The bill also uses a number of terms that are defined in other legislation:

- “direct award” means the award of a public service contract to a public service operator without any prior competitive tendering procedure.<sup>31</sup>
- “public service contract” means—
  - (a) one or more legally binding acts confirming the agreement between a competent authority and a public service operator to entrust to that public service operator the management and operation of public passenger transport services subject to public service obligations, or
  - (b) where the competent authority provides the services or entrusts the provision of such services to an internal operator, a decision adopted by the competent authority containing conditions under which those services must be performed.<sup>32</sup>
- “wholly owned” means a company that has no members other than one or more persons falling within the following paragraphs—
  - (a) that person;
  - (b) a company which is wholly owned by that person;
  - (c) a person acting on behalf of that person or of such a company.<sup>33</sup>
- “jointly owned” means a company that is owned by two or more persons (“the relevant persons”) at any time when (without being wholly owned by a person) it has no members other than two or more persons falling within the following paragraphs—
  - (a) the relevant persons;
  - (b) a company which is jointly owned by two or more of the relevant persons or which is wholly owned by one of them;

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<sup>29</sup> [Railway Act 1993](#), Section 30(3)(3B)

<sup>30</sup> [Passenger Railway Services \(Public Ownership\) Bill](#) (PDF), Clause 2 Subsection (3)

<sup>31</sup> [The Public Service Obligations in Transport Regulations 2023](#), Regulation 2(1)

<sup>32</sup> [The Public Service Obligations in Transport Regulations 2023](#), Regulation 2(1)

<sup>33</sup> [Railways Act 2005](#), Section 58, Subsection (4)

- (c) a person acting on behalf of one or more of the relevant persons or of such a company.<sup>34</sup>

## 3.4

### Clause 1

Clause 1(2) would prohibit the Secretary of State from extending existing franchises or entering into new franchise agreements, apart from in specific circumstances (as set out in Clause 2 – see below). It would also prohibit the Scottish and Welsh Ministers from entering into new franchise agreements. As noted in section 2.2 of this briefing, the Scottish and Welsh Ministers do not currently have any franchise agreements, so extending existing franchises is irrelevant in these cases.

Under the Railway Act 1993, the relevant franchising authority can designate which passenger rail services are to be included in a franchise.<sup>35</sup> Clause 1(3) of the Passenger Railway Services Bill would amend this so the Secretary of State could designate which passenger rail services are to be provided as part of a public sector contract. Where an existing franchise has been extended or a new franchise entered into (as set out in Clause 2 – see below), it would also allow the Secretary of State to designate which passenger rail services are included in this franchise. In so doing, it would remove the presumption in favour of such services being provided by a private sector operator.

## 3.5

### Clause 2

Clause 2(2a) would place a duty on the relevant franchising authority to provide or secure passenger services once an existing franchise has come to an end (including where a franchise has been terminated).

Subsection 2(b) sets out that this duty to provide or secure passenger services could only be met by the relevant franchising authority making a direct award to a public sector company, apart from in specific circumstances as set out in subsection 3 (see below). It would also remove the requirement that 12 months' notice must be given when a franchising authority gives a direct award (without a competitive tendering procedure).<sup>36</sup>

As a risk mitigation measure, and so the capacity and capability of the public sector operator is not overwhelmed in the event that several franchises end at or close to the same time, subsection 3 would allow the Secretary of State to agree a new franchise or extend an existing one. Such agreements could only

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<sup>34</sup> [Railways Act 2005](#), Section 58, Subsection (5)

<sup>35</sup> [Railways Act 1993](#), Section 23

<sup>36</sup> [The Public Service Obligations in Transport Regulations 2023, SI 2023/1369](#), Regulation 22

be made with the existing private sector operator and must follow on immediately from the end of the franchise.

If a new franchise is agreed or an existing franchise is extended, the maximum length of this would be two years.<sup>37</sup> Such awards are also exempt from the requirement to provide 12 months' notice.<sup>38</sup>

In accordance with regulation 16 of the Public Service Obligations in Transport Regulations 2023, a new franchise agreement or an extension of an existing franchise can only be done by either making a direct award or by a formal agreement for an extension.<sup>39</sup> The Secretary of State can make such an award or agree an extension without meeting the threshold set out in regulation 16(1), which states there must be disruption to services or the immediate risk of such disruption.<sup>40</sup>

The power to enter into a new franchise agreement or to extend an existing one does not apply to Scotland or Wales. As noted in section 2.2 there are currently no franchise agreements with private operators in Scotland or Wales, so such a power would be irrelevant.

As the power to enter into a new franchise agreement or to extend an existing one would become obsolete once all franchises have been brought into public ownership, the Secretary of State would be able to repeal this power.

## 3.6

### Clause 3

Clause 3 contains provisions about regulations under the bill. Regulation-making powers in the bill would be exercisable by the Secretary of State. Amendment or revocation of primary legislation would be subject to the affirmative procedure. All other amendments would be subject to the negative procedure.<sup>41</sup>

## 3.7

### Clause 4

Clause 4 sets out the bill's extent, commencement and title. The Bill extends to England, Wales and Scotland, and comes into force on the day on which it is passed.

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<sup>37</sup> [The Public Service Obligations in Transport Regulations 2023, SI 2023/1369](#), Regulation 9(1)(b)

<sup>38</sup> [The Public Service Obligations in Transport Regulations 2023, SI 2023/1369](#), Regulation 22

<sup>39</sup> [The Public Service Obligations in Transport Regulations 2023, SI 2023/1369](#), Regulation 16

<sup>40</sup> [The Public Service Obligations in Transport Regulations 2023, SI 2023/1369](#), Regulation 16(1)

<sup>41</sup> [Passenger Railway Services \(Public Ownership\) Bill: Delegated Powers Memorandum](#) [PDF], 12 July 2024, paras 20-1



## 3.8 Schedule 1

Schedule 1 would tidy up the language used in the Railway Act 1993 to reflect the changes to the 1993 Act this bill would make. Throughout the Railway Act 1993, the term “franchise” (and variants of this) is used. Schedule 1 would replace these with appropriate wording to reflect the shift from private sector franchising to operation by public sector companies.

## 3.9 Financial implications of the Bill

Private sector franchised train operators are currently paid a management fee to operate the franchise and can also be eligible for a performance-based fee. These would no longer be payable once these train operations have been taken over by a public sector company.<sup>42</sup> In addition, financial assistance is currently provided to private sector franchised train operators (to subsidise unprofitable services). This is likely to still be needed after these services have been transferred to a public sector company, and the amount of financial assistance could potentially increase.<sup>43</sup>

There would also be one-off transaction costs associated with the transfer of each contract. If franchises are extended or new franchises entered into, there may also be similar transaction costs associated with this.

As a result, the bill required a money resolution.<sup>44</sup> This was agreed following second reading on 29 July 2024.<sup>45</sup>

## 3.10 Delegated powers

### Clause 2(3): Future provision of services

Once all of the franchises are in the public sector, the clauses of this bill that change the Railway Act 1993 allowing the Secretary of State to enter into new franchises or temporarily extend existing franchises would become obsolete. This bill includes a power to repeal these new sections of the Railway Act 1993 that would be made by this bill.

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<sup>42</sup> [Explanatory Notes \[PDF\]](#), para 31

<sup>43</sup> [Explanatory Notes \[PDF\]](#), para 33

<sup>44</sup> “A Money resolution must be agreed to by the House of Commons if a new Bill proposes spending public money on something that hasn't previously been authorised by an Act of Parliament. Money resolutions, like Ways and Means resolutions, are normally put to the House for agreement immediately after the Bill has passed its Second reading in the Commons.” (UK Parliament, [Money resolutions](#) [accessed 22 July 2024])

<sup>45</sup> [HC Deb 29 July 2024, c1139-41](#)

## Clause 3(2): Consequential provision

The bill also includes a power to make consequential amendments. The Delegated Powers Memorandum sets out that due to the speed at which the bill was developed, the large amount of legislation relating to the railways and the need to keep passenger train services operating, “it is considered prudent to include the power.”<sup>46</sup>

This broad power is a Henry VIII power, as it permits the amendment or revocation of primary legislation through secondary legislation. Amendment or revocation of primary legislation would be subject to the affirmative procedure. All other amendments would be subject to the negative procedure.<sup>47</sup>

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<sup>46</sup> [Passenger Railway Services \(Public Ownership\) Bill: Delegated Powers Memorandum](#) (PDF), 12 July 2024, para 19

<sup>47</sup> [Passenger Railway Services \(Public Ownership\) Bill: Delegated Powers Memorandum](#) (PDF), 12 July 2024, paras 20-1

## 4 Reaction to the Bill

Given the short timeframe between the 2024 King’s Speech and the publication of the bill, reaction has been limited.

Transport Focus, the independent watchdog for transport users, responded to the King’s Speech by welcoming the Passenger Railway Service (Public Ownership) Bill, as well as the Rail Reform Bill, saying:

The Rail Reform and the Passenger Railway Service (Public Ownership) Bills are key to rebuilding the confidence of the public in rail travel. Passengers want and deserve a punctual and reliable railway that delivers on the timetable’s promise at an acceptable price.<sup>48</sup>

Trade Unions have welcomed the commitment to bring franchised train operators back into the public sector.<sup>49</sup>

However, Rail Partners, who represent the interests of private sector train and freight operators, argued that “full nationalisation is a political not a practical solution, which will increase costs over time”.<sup>50</sup>

Currently, there are ten privately-operated franchised train operators with National Rail Contracts.<sup>51</sup> The Financial Times reported concerns from rail industry bosses that the scale and complexity of nationalising the remaining franchises could put pressure on DOHL.<sup>52</sup>

In a post on X, formerly known as Twitter, on 17 July 2024 Shadow Transport Secretary Helen Whately (Conservative) described nationalisation as “a move that can only be based in ideology” and said that “Nationalising well-run operators won’t bring fares down or make services more reliable”.<sup>53</sup>

Wera Hobhouse (Liberal Democrats) said that it is unclear how nationalising franchised train operators would alleviate the high cost of travelling by rail.<sup>54</sup>

<sup>48</sup> Transport Focus, [The King’s Speech](#), 19 July 2024

<sup>49</sup> TSSA, [Kings Speech signals end for rip-off rail](#), 17 July 2024; RMT, [RMT responds to King's Speech](#), 17 July 2024; ASLEF, [ASLEF: Train drivers’ union responds to King’s Speech plan to renationalise Britain’s railways](#), 17 July 2024

<sup>50</sup> Rail Partners, [Rail Partners response to King's Speech railway announcements](#), 17 July 2024

<sup>51</sup> DfT, [Public register of rail passenger contracts: Publishing schedule – National Rail Contracts](#), 7 May 2024

<sup>52</sup> Financial Times, [Labour to begin rail nationalisations within months](#), 18 July 2024

<sup>53</sup> Helen Whately MP (@Helen\_Whately), [X\(Twitter\)](#), 17 July 2024 [accessed 23 July 2024]

<sup>54</sup> [HC Deb 22 July 2024 c431](#)

## 4.1

## Timescales for nationalising passenger train operators

It is currently unclear which would be the first franchise to be brought back into the public sector, and the timing of this. Louise Haigh, Secretary of State for Transport, was reported as saying that the aim was for “royal assent [for this bill] certainly by the end of the year, and then we can issue the first contracts three months after that.”<sup>55</sup>

Of the 10 franchise agreements, two have fixed end dates, Essex Thameside (c2c) and South Western Railway. The other eight have “core term dates” and “expiry dates”. These are set out in the table below:

Franchised passenger train operator contract expiry dates		
Operator	Core Term Date	Expiry Date
South Western Railway	N/A	25 May 2025
c2c	N/A	20 July 2025
Greater Anglia	15 September 2024	20 September 2026
West Midlands Trains	15 September 2024	20 September 2026
Chiltern Railways	01 April 2025	12 December 2027
Govia Thameslink Railway	01 April 2025	01 April 2028
Great Western Railway	22 June 2025	25 June 2028
East Midlands Railway	18 October 2026	13 October 2030
Avanti West Coast	18 October 2026	17 October 2032
CrossCountry	17 October 2027	12 October 2031

Source: Source: DfT, [Public register of rail passenger contracts](#)

While the Greater Anglia and West Midlands Trains contracts have core terms which end in September 2024, the government has not indicated whether these will be brought under public ownership as soon as possible after that point or if they will continue to the final expiry in September 2026.

If the government lets the contracts extend to their final expiry dates, then the first contracts to be nationalised may be South Western Railway on 25 May 2025 and Essex Thameside (operated by c2c) on 20 July 2025.<sup>56</sup>

<sup>55</sup> iNews, [Avanti one of several rail firms at risk of nationalisation, minister says](#), 18 July 2024

<sup>56</sup> DfT, [South West Trains Notice of Variation](#) [PDF], 9 February 2023; DfT, [Trenitalia c2c Limited 2021: notice of variation](#) [PDF], 9 February 2023

However, it is also unclear if underperforming train operators may be nationalised sooner if they are not meeting performance targets.<sup>57</sup> As set out in each of the National Rail Contracts, the Secretary of State can issue the franchised train operator with a Termination Notice in response to specific events (Termination Events) or “unremedied or continuing” defaults on the contract.<sup>58</sup> This is not a new power included in the bill, but a provision of the existing contracts.

The government anticipates that all franchised contracts will have expired by October 2027.<sup>59</sup>

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<sup>57</sup> iNews, [Avanti one of several rail firms at risk of nationalisation, minister says](#), 18 July 2024

<sup>58</sup> See, for example, chapter 9.4.1 of [West Coast Partnership 2023: national rail contract](#) [PDF], 18 September 2023

<sup>59</sup> [Explanatory Notes \[PDF\]](#), para 31

## 5 Second reading

The bill received its second reading on 29 July 2024, where it passed (351 ayes to 84 noes).<sup>60</sup> This was followed by agreement of a money resolution. The committee stage will be held in a committee of the whole House on 3 September 2024, followed by remaining stages on the same day.<sup>61</sup>

### 5.1 Support for the bill

Introducing the bill, Secretary of State for Transport Louise Haigh said that this bill was the start in “improving performance on our railways and kick-starting reform.”<sup>62</sup> She described it as a “sensible approach”, overturning the previous privatisation of passenger train operators while “ensuring that taxpayers do not fork out huge sums to compensate operating companies for ending contracts early.”<sup>63</sup>

The Transport Secretary also noted the four franchises which are currently under DOHL have seen some improvements, with TransPennine Express seeing a reduction in cancellations and LNER returning a financial surplus to the taxpayer.<sup>64</sup>

There was broad cross-party agreement about the need for rail reform. Helen Whately, Shadow Transport Secretary (Con), said:

I do not believe that a single person on either side of the House, among the public, among those working on the rail network or even among those running the train companies would say that everything is as it should be with our rail system. We are in no doubt that rail needs reform.<sup>65</sup>

Wera Hobhouse (LD) also noted that the current franchise system is not operating as originally intended:

We agree with the Government that competition is not working as intended. Fewer and fewer companies are bidding for new franchises as the costs have ballooned. Meanwhile, Government subsidies have increased and intervention is desperately needed.<sup>66</sup>

<sup>60</sup> [HC Deb 29 July 2024, cc1071-1141](#)

<sup>61</sup> [Passenger Railway Services \(Public Ownership\) Bill 2024-2025](#)

<sup>62</sup> [HC Deb 29 July 2024, c1071](#)

<sup>63</sup> [HC Deb 29 July 2024, cc1072-3](#)

<sup>64</sup> [HC Deb 29 July 2024, c1074](#)

<sup>65</sup> [HC Deb 29 July 2024, c1076](#)

<sup>66</sup> [HC Deb 29 July 2024, c1082](#)

Siân Berry (Green) described privatisation of the rail industry as a failed policy, the legacy of which “is one of poor services, inefficiencies and very high costs for passengers.”<sup>67</sup>

## 5.2 Issues raised in debate

A number of issues were raised by members during the debate:

- Wider plans for rail reform: A number of members noted there was a lack of detail on the government’s plan for rail reform and how bringing franchised passenger train operators into the public sector fits into this plan.<sup>68</sup>
- Ideology: Helen Whately, Shadow Transport Secretary (Con) criticised the bill for being based on ideology, adding that “[t]here is no evidence, barely even a suggestion, that this Bill will actually improve journeys for passengers.”<sup>69</sup>
- Order existing contracts revert to public sector: Wera Hobhouse (LD) questioned why passenger train operators would be nationalised based on the date their existing contract ends, rather than bringing the worst performing operators into the public sector first.<sup>70</sup> The Shadow Rail Minister Dr Kieran Mullan (Con) noted that there is no clear timetable for which twill be the first franchises to be brought into the public sector.<sup>71</sup>
- Role of DOHL/ Great British Railways: Wera Hobhouse (LD) questioned whether passenger train operators will transfer to DOHL once nationalised rather than Great British Railways, and if so, what would be the impact on the number of staff employed by DOHL.<sup>72</sup>
- Open access operators: Siân Berry (Green) noted that the bill does not apply to open access operators.<sup>73</sup> Wendy Morton (Con) asked for more information on what open access would look like following the franchised passenger train operators moving into the public sector.<sup>74</sup>
- Financial impacts: Wera Hobhouse (LD) noted that the financial impact of nationalising the passenger train operators is unclear. In particular, she noted it is unclear whether financial support to passenger train operators would increase, and if it did, whether this would result in

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<sup>67</sup> [HC Deb 29 July 2024, c1095](#)

<sup>68</sup> [HC Deb 29 July 2024, c1083](#); [HC Deb 29 July 2024, c1095](#); [HC Deb 29 July 2024, c1105](#)

<sup>69</sup> [HC Deb 29 July 2024, c1076](#)

<sup>70</sup> [HC Deb 29 July 2024, c1083](#)

<sup>71</sup> [HC Deb 29 July 2024, c1133](#)

<sup>72</sup> [HC Deb 29 July 2024, c1083](#)

<sup>73</sup> [HC Deb 29 July 2024, c1095](#)

<sup>74</sup> [HC Deb 29 July 2024, c1087](#)

higher fares.<sup>75</sup> Wera Hobhouse (LD) also questioned whether the nationalised passenger train operators will be competing for government funding with the NHS and education.<sup>76</sup> The Shadow Rail Minister Dr Kieran Mullan (Con) questioned whether nationalisation would inhibit investment, including in new rolling stock, as this would be classified as public debt.<sup>77</sup>

- Rolling stock companies (ROSCOs): Wera Hobhouse (LD) questioned why the bill did not include the nationalisation of the rolling stock companies, noting that the passenger train operators would continue to lease rolling stock from private companies.<sup>78</sup> Siân Berry (Green) similarly questioned why the bill excludes rolling stock companies, and suggested that the bill could have prohibited leasing of rolling stock from private companies in the future.<sup>79</sup> Graham Leadbitter (SNP) also raised the issue of the bill not applying to rolling stock companies.<sup>80</sup>
- Terms and conditions: The Shadow Rail Minister Dr Kieran Mullan (Con) noted that different passenger train operators currently have different working conditions, and questioned whether the government would introduce standardised terms and conditions for all passenger train operators that are brought under a public sector operator.<sup>81</sup>
- Rail devolution: Siân Berry (Green) noted that the bill does not apply to regional passenger train operators with concession agreements with Transport for London or the Liverpool City Region Combined Authority. She also noted that the bill would not allow franchises to pass to other devolved authorities, with the exception of the Welsh and Scottish Governments.<sup>82</sup>
- Extension of current contracts: Rachael Maskell (Lab/Co-op) asked about the provision in clause 2 of the bill for contracts to be extended. In response the Secretary of State for Transport noted that this included to allow some flexibility in the event that DOHL “does not have the capacity to take in a private operator’s contract at the moment it expires.”<sup>83</sup>
- Freight operators: Siân Berry (Green) noted that the bill does not apply to freight operators.<sup>84</sup>

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<sup>75</sup> [HC Deb 29 July 2024, c1083](#)

<sup>76</sup> [HC Deb 29 July 2024, c1082](#)

<sup>77</sup> [HC Deb 29 July 2024, c1133](#)

<sup>78</sup> [HC Deb 29 July 2024, c1082](#)

<sup>79</sup> [HC Deb 29 July 2024, c1096](#)

<sup>80</sup> [HC Deb 29 July 2024, c1111](#)

<sup>81</sup> [HC Deb 29 July 2024, c1133](#)

<sup>82</sup> [HC Deb 29 July 2024, cc1095-7](#)

<sup>83</sup> [HC Deb 29 July 2024, cc1073-4](#)

<sup>84</sup> [HC Deb 29 July 2024, cc1095-6](#)



## Government response

In his closing remarks Parliamentary Under-Secretary of State (Minister for Local Transport) Simon Lightwood said that public ownership of the franchised passenger train operators would “provide the right foundations to drive forward improvements for passengers” and that the government were developing a wider Railways Bill which would deliver the promised benefits.<sup>85</sup> He also noted that the wider Railways Bill would include a “statutory duty on Great British Rail to promote the use of rail freight.”<sup>86</sup>

He also described the government’s plan as pragmatic, rather than ideological, and said it would learn lessons from both the public and private operation of railways.<sup>87</sup>

Responding on when existing contracts would be brought into the public sector, the minister said this would be done “as existing contracts expire” to avoid paying compensation to the operators for terminating contracts early. However, he added that if relevant conditions in existing contracts are met then contracts can be terminated early.<sup>88</sup>

The minister said there would continue to be a role for open access operators, “with existing operators continuing to operate on the network alongside publicly owned services, where they add value and capacity to the network.”<sup>89</sup>

On the rolling stock companies, the minister said purchasing existing rolling stock would not be a responsible use of taxpayers’ money.<sup>90</sup>

On further devolution of rail services in England, the minister said that the wider Railway Bill “will give local leaders a statutory role in governing, managing, planning and developing the rail network.” He added that, alongside measures in the forthcoming Better Buses Bill to give local authorities greater control over bus services, this would enable further integration of rail services with other modes of transport.<sup>91</sup>

## 5.3

## Division

The bill passed second reading, 351 ayes to 84 noes.<sup>92</sup>

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<sup>85</sup> [HC Deb 29 July 2024, c1135](#)

<sup>86</sup> [HC Deb 29 July 2024, c1135](#)

<sup>87</sup> [HC Deb 29 July 2024, c1136](#)

<sup>88</sup> [HC Deb 29 July 2024, c1137](#)

<sup>89</sup> [HC Deb 29 July 2024, c1137](#)

<sup>90</sup> [HC Deb 29 July 2024, c1137](#)

<sup>91</sup> [HC Deb 29 July 2024, c1137](#)

<sup>92</sup> [HC Deb 29 July 2024, cc1071-1141](#)

Labour, Green, eight Independent MPs and one SDLP MP voted in favour, with only the Conservatives voting against.

Despite saying they supported the bill,<sup>93</sup> the SNP abstained.

## 5.4 Money resolution

Following second reading, a Money resolution was agreed, authorising spending public money “for the purposes of any Act resulting from the Passenger Railway Services (Public Ownership) Bill.”<sup>94</sup>

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<sup>93</sup> [HC Deb 29 July 2024, c1111](#)

<sup>94</sup> [HC Deb 29 July 2024, c1139-41](#)

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## Annex: How bills go through Parliament

Bills can be introduced in either the House of Commons or the House of Lords. They can be amended but the entire text has to be agreed by both Houses before they can receive Royal Assent and become law. In both Houses, bills go through the same stages although there are slight differences in the practices of the two Houses.

### Commons stages

A bill that is introduced in the House of Commons will go through the following stages.

- First reading sees the formal introduction of a bill, when a clerk reads out the name of the bill in the Commons chamber. There is no debate at this stage. Bills cannot be published before their introduction. Government bills are usually published immediately after introduction. The Passenger Railway Services (Public Ownership) Bill had its first reading on 18 July 2024.
- Second reading debate is the first time MPs debate a bill. They discuss the purpose of the bill. Debates are usually scheduled to take a full day (five to six hours). The Passenger Railway Services (Public Ownership) Bill had its second reading on 29 July 2024. At the end of the debate, MPs decide whether it should pass to the next stage. Sometimes a ‘reasoned amendment’, which sets out the reasons to reject a bill, is tabled. If this is agreed to, or if the bill is simply voted down, the bill cannot make any further progress. No amendments are made to the bill itself at this stage.
- Committee stage is usually conducted by a small number of MPs (usually 17) in a public bill committee but sometimes bills can be considered in detail in the Commons Chamber by all MPs in a committee of the whole House. The Passenger Railway Services (Public Ownership) Bill will have a committee of the whole House on 3 September 2024. The committee debates and decides whether amendments should be made to the bill and whether each clause and schedule should be included.
- Report stage takes place in the Commons Chamber and involves MPs considering the bill as agreed at committee stage. MPs can also propose further amendments which can be voted on. The Passenger Railway Services (Public Ownership) Bill will have its report stage on 3 September 2024.

- Amendments at committee and report stage can leave out words, substitute words and add words, including whole clauses and schedules. They can be proposed by backbench and frontbench MPs. The Speaker or the chair of the committee selects and groups amendments to debate.
- Third reading, usually on the same day as report stage, is the final chance for MPs to debate the contents of a bill before it goes to the House of Lords. It's usually a short debate and changes cannot be made at this stage in the Commons. At the end of the debate, the House decides whether to approve the bill and therefore pass it onto the House of Lords. The Passenger Railway Services (Public Ownership) Bill will have its third reading on 3 September 2024.

## Lords stages

Bills introduced in the Lords go through the same process, completing all stages in the Lords before being sent to the Commons.

The House of Lords respects the Commons' primacy on financial matters and does not usually amend Finance Bills (those that implement the Budget) or money bills.

Members of the House of Lords debate the bill, going through the same stages as in the Commons. Key differences between the two Houses are that in the Lords, committee stage usually takes place on the floor of the House and a bill can be amended at third reading.

Most bills are considered by a committee of the whole House in the House of Lords. Some are referred to the Lords Grand Committee – which all members can attend. However, divisions (votes) are not permitted in the Grand Committee and any amendments made have to be agreed to without a division.

The Lords can also make amendments to a bill. Major points of difference should have been resolved before third reading but amendments to “tidy-up” a bill are permitted.

No party has a majority in the House of Lords and government defeats are not uncommon. For bills that have started in the House of Commons, the Lords is essentially asking MPs to think again about the subject of the amendment.

## ‘Ping pong’

If the Lords amend a bill that was sent from the Commons, the amendments are returned to the Commons and MPs debate the amendments proposed by the Lords. This is potentially the start of “ping-pong”, a process whereby

amendments and messages about the amendments are sent backwards and forwards between the two Houses until agreement is reached.

Once agreement has been reached, the Bill receives Royal Assent, becoming law when both Houses have been notified that Royal Assent has been granted.

## Amendments

MPs can submit amendments, via the Public Bill Office (PBO), at three different stages of a bill: committee stage, report stage, and when a bill is returned from the Lords. Once the PBO accepts the amendment, it has been 'tabled'.

In order to be debated, the amendment must be selected by the chair. Similar amendments may be grouped for debate to avoid repetition. If there is a Committee of the Whole House, the chair is the Chairman of Ways and Means (the principal Deputy Speaker). For report stage, it is the Speaker.

Amendments might not be selected for debate if they are, for example, outside the scope of a bill, vague, or tabled to the wrong part of a bill. The PBO can advise on whether an amendment is likely to be selected.

## Further information on bill procedure

The [MPs' Guide to Procedure](#) has a [section on bills](#).

MPs who have questions about the procedure for bills or want advice on how to amend them should contact the [Public Bill Office](#).

The Library can provide information on the background and potential impact of a bill and of amendments but cannot help MPs with drafting amendments.

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