

Comments to the Keynote Lecture

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Photo: Hironori Kato

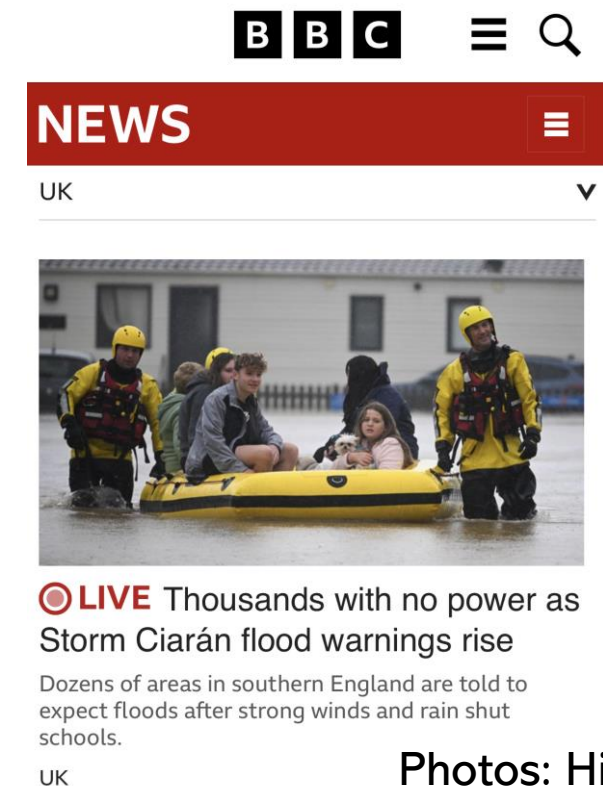
My Recent Experiences in Using UK's Rail

- I traveled to Leeds from London by rail on 2nd November 2023.
- In a return trip, I met a rail service disruption caused by blackout under an attack of Storm Ciarán to UK.

Weather Forecast in BBC news on 2nd Nov 2023



Live Report in BBC news on 2nd Nov 2023



High Inflation and Rail

- HS2 was scrapped in UK. One of the reasons is “huge inflation in costs.”
- I also found the extremely high cost of food and stay in UK last year.
- Recently, one of the main policy agenda for many governments is how to manage high inflation after Covid 19.
- Many infrastructure investment projects including railway projects have suffered from cost escalation under high inflation also in Japan.

International Comparative Study on Urban Rail Funding by Xuto et al. (2023)

Transport Policy 130 (2023) 100–115



Contents lists available at [ScienceDirect](#)

Transport Policy

journal homepage: www.elsevier.com/locate/tranpol



Invited research paper

Sustainable urban rail funding: Insights from a century-long global dataset

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ARTICLE INFO

Keywords:

Public finance
Rail funding
Organisational management
Long-term planning
Politics

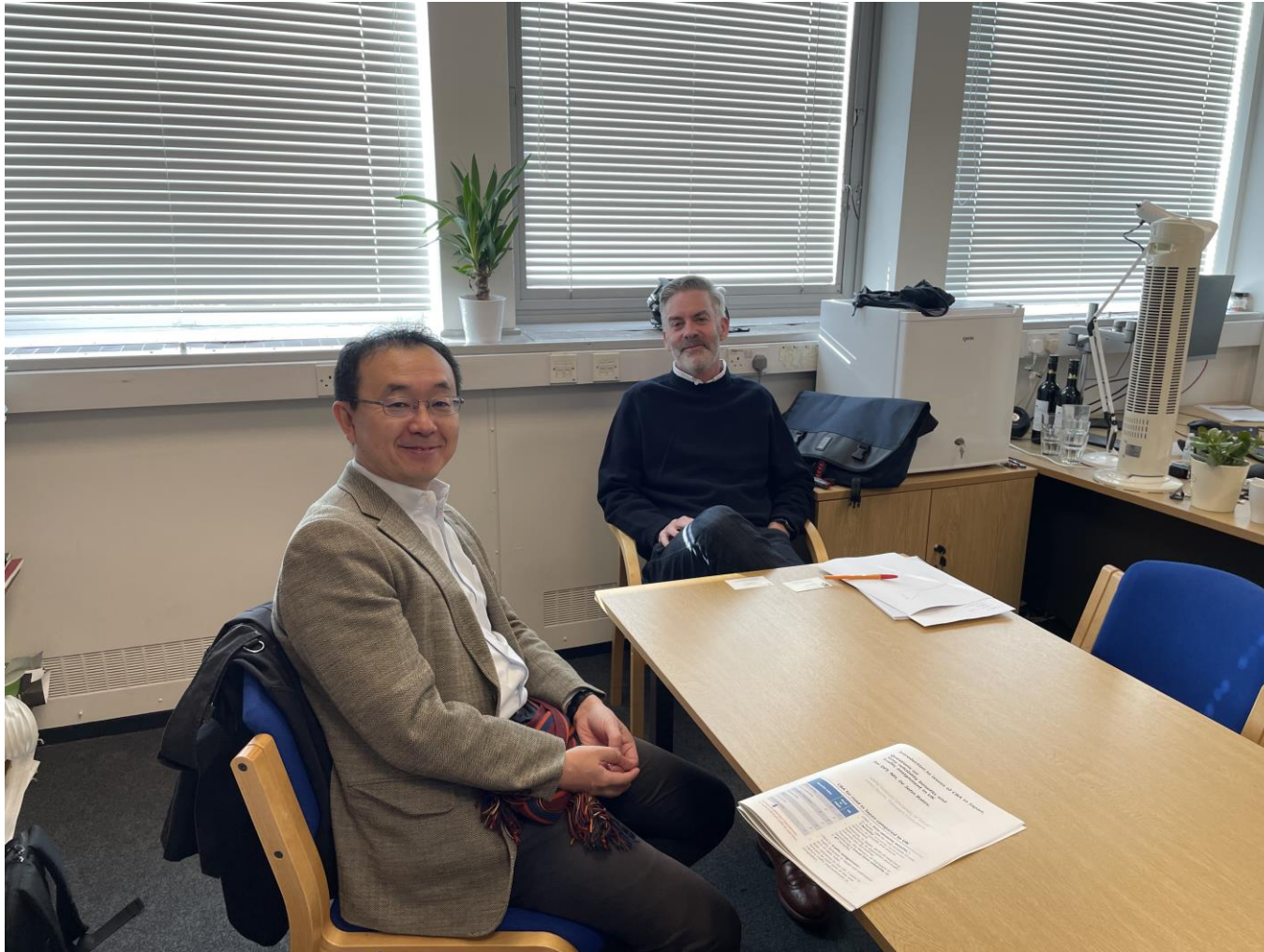
ABSTRACT

In recent years, urban rail funding has become an increasing concern in some western cities. The underlying issues over ridership and funding has largely been driven by trends such as increasing teleworking and new transport modes like ridesharing, which are likely to further exacerbate funding issues in the aftermath of the worldwide health crisis. This paper contributes to the discussion through the examination of funding within urban rail transport, specifically the strengths and weaknesses of mechanisms that can be used to achieve sustainable, stable long-term funding. A unique, very long-term historical dataset of five large metros around

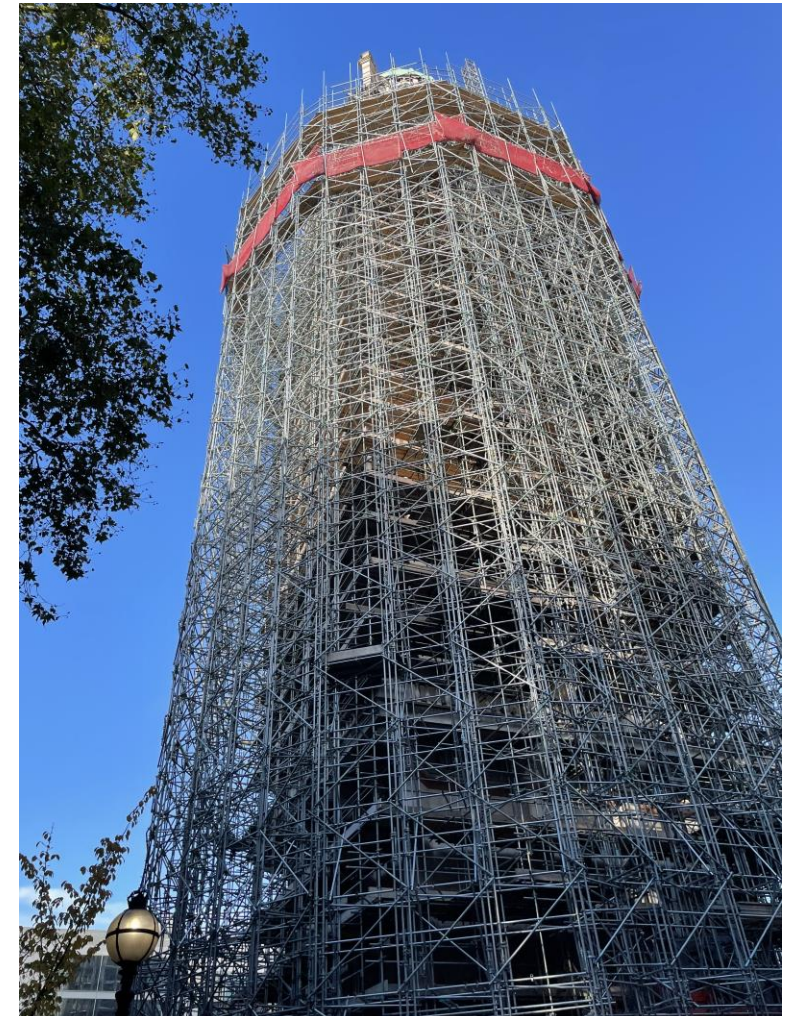
Source: Xuto et al. (2023) <https://doi.org/10.1016/j.tranpol.2022.10.005>

Discussion with Prof. Graham (ICL)

Meeting with Prof. Graham on 31st Oct 2023

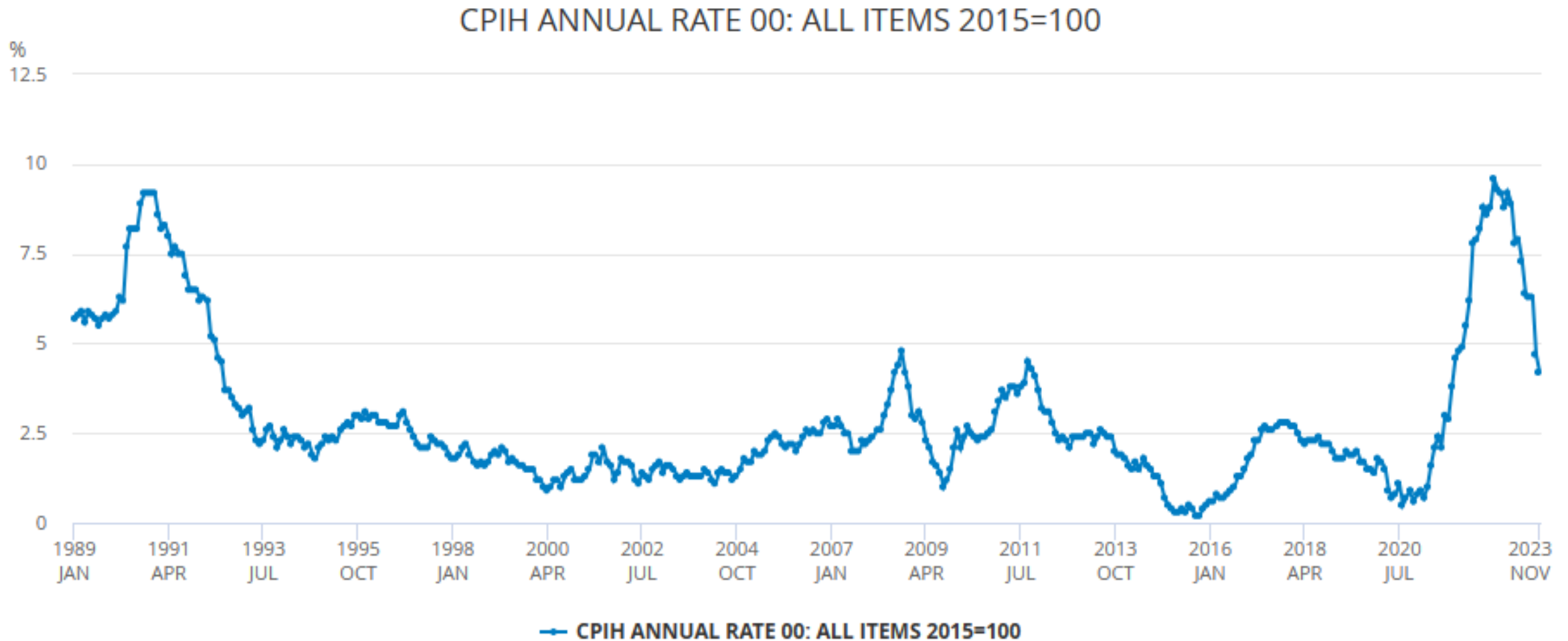


Queen's Tower of Imperial College London



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Photos: Hironori Kato

UK's High Inflation in Post-COVID Period



CPIH=Consumer Prices Index including owner occupiers' housing costs

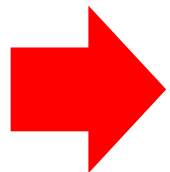
Source: Office for National Statistics, UK

<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l55o/mm23>

What are Impacts of High Inflation on Rail?

Compound effect for rail operators

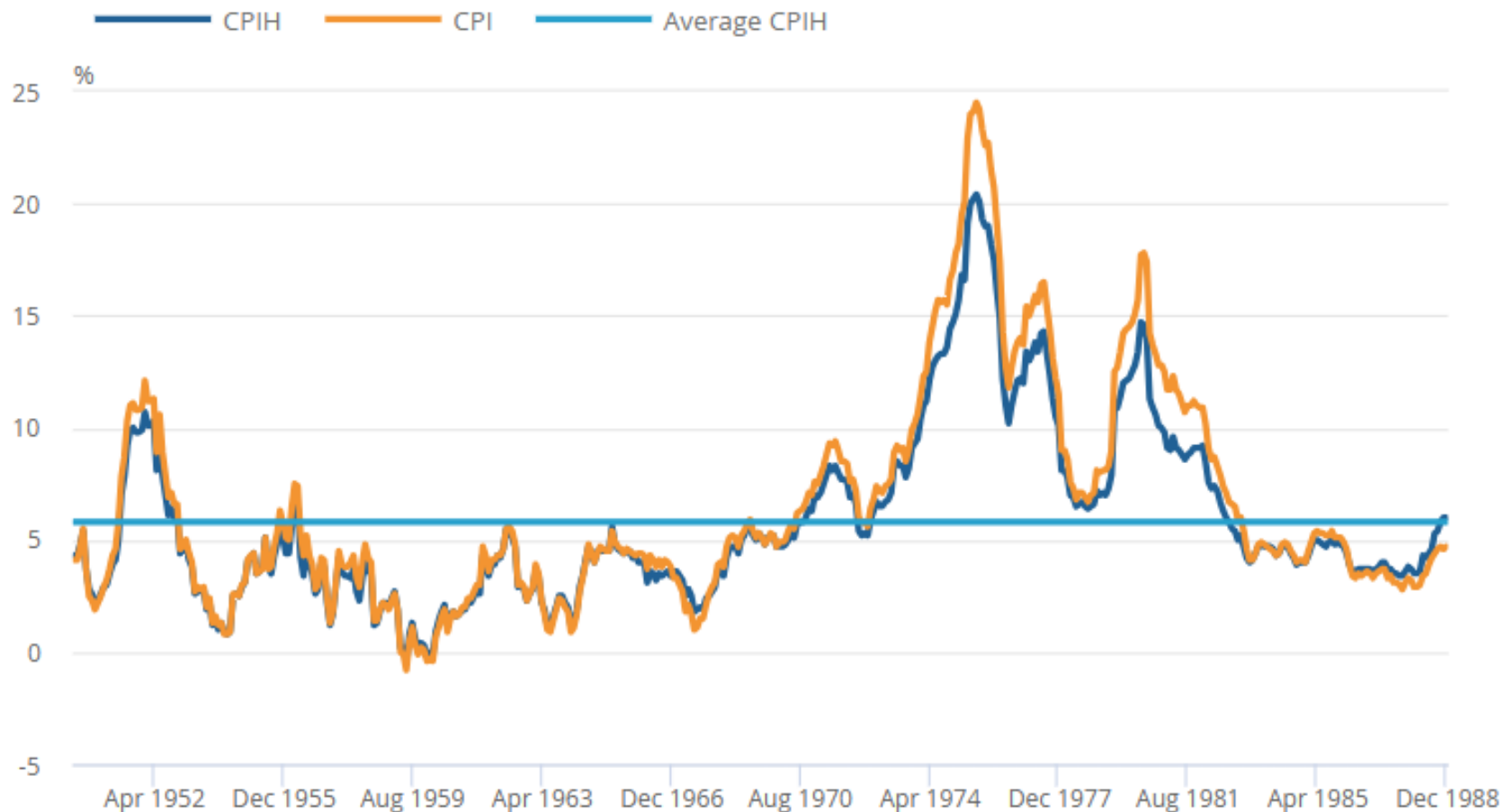
- Cost escalation in railway industry
 - Capital and labor costs may increase under high inflation.
 - “Operating cost (particularly employee wages) may be allowed to escalate higher than inflation” (Xuto et al., 2023)
- Fare control by transport agency
 - “There is considerable political pressure to try to control fare growth to reduce cost of living for people.” (Xuto et al., 2023)
 - Rail fare cannot be increased under the political pressure.



Operation cost coverage ratio should decline

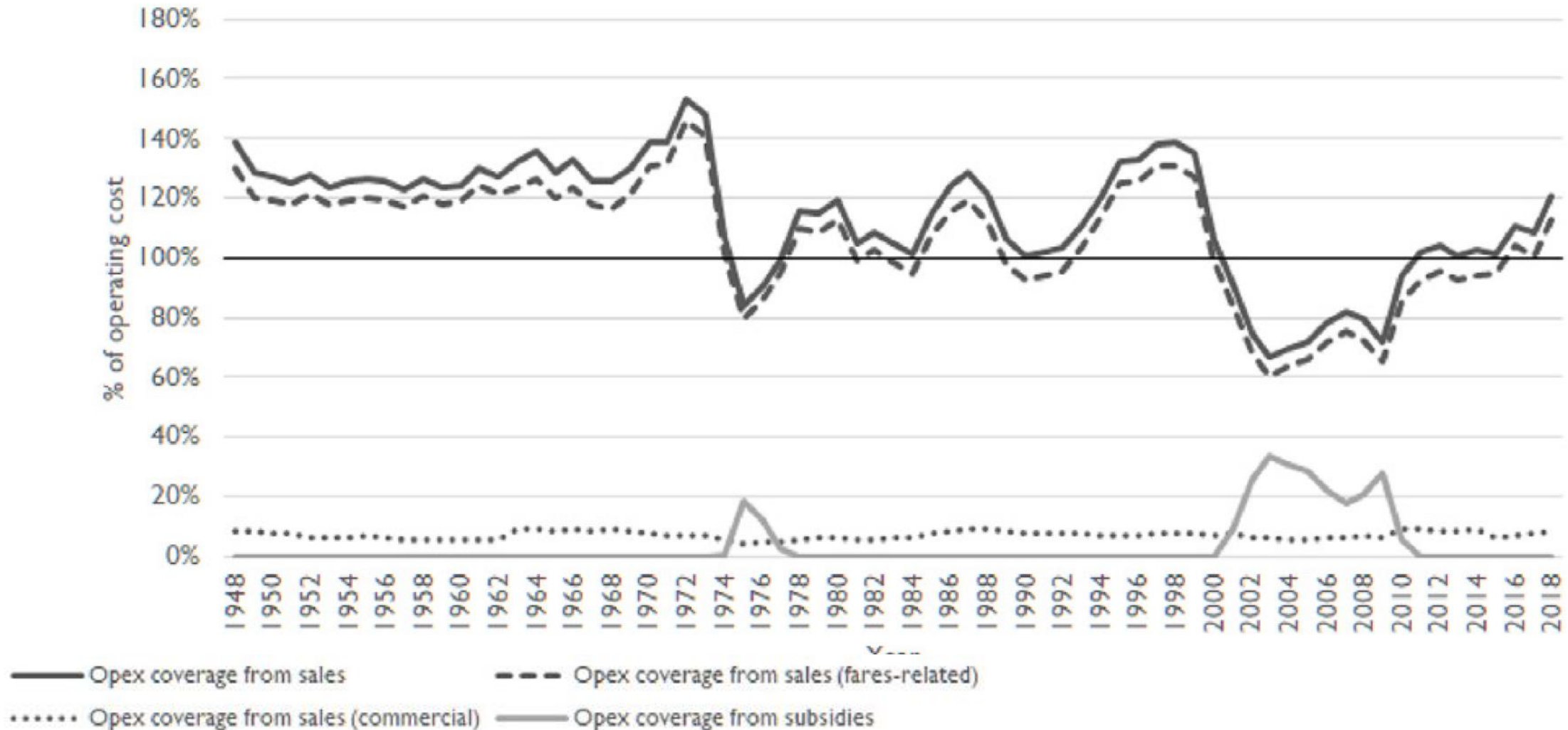
UK's Experiences of High Inflation in 1970s

- Oil price shocks in 1973 and 1979 contributed to exceptionally high inflation rates.
- Inflation rose sharply in the 1970s before falling back in the 1980s



Operation Cost Coverage in London Underground

b) Operating cost (opex) coverage ratios



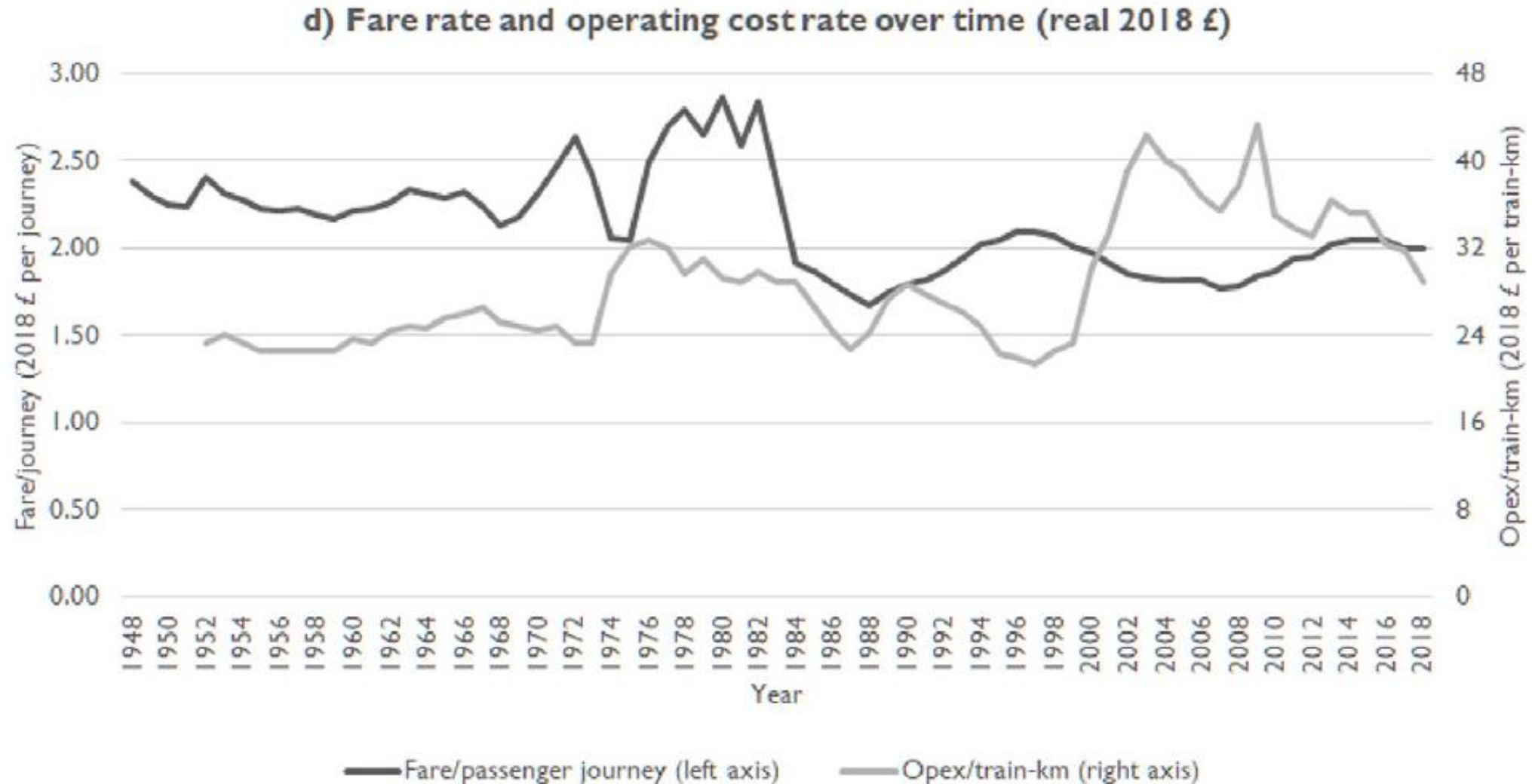
Consequence of High Inflation in London Underground in 1970s

- London needed substantial subsidies for the first time during the 1970s.
- However, there can also be movement in the opposite direction:
 - “High inflation periods often coincide with economic difficulties in the country, with constrained government finances” (Xuto et al., 2023)
 - “Government funding is cut back and/or redirected to higher priority spendings.” (Xuto et al., 2023)



Finally, London had raised its fares and gradually controlled costs with subsidy.

Dynamics of Fare in London Underground



Question

- London Underground survived the high inflation through fare and cost controls in 1970s.
 - UK has experienced high inflation in 1989-91 again, but London Underground overcome it without fare escalation.
- Meanwhile, HS2 was cancelled in 2023.
 - High inflation? Political reason? No clear vision?

“What are lessons from UK’s experiences to Japan?”