31st January 2001

Mike's Speech

Delivering the Strategy

Alastair has described this matrix which encapsulates the functions of the new organisation. I now want to set out how we will be delivering the requirements of the Ten Year Plan and our future strategy.

We have structured our organisation with a strong focus on delivery of the better safety, performance and growth which are the common threads of the policies everybody in the industry wants to pursue.

The organisation pulls together the strands of passenger, freight and infrastructure after a period of over five years where these issues have previously been treated separately in a piecemeal way.

It is also designed to allow us to develop partnerships, with the private sector through Project Development Groups (PDGs in shorthand) and franchise replacement, and with public sector stakeholders through TfL, the Scottish Executive and the Welsh Assembly as well as the English regions and local authorities.

The new organisation provides support in finance, corporate services and external relations. Chris Austin runs the latter, which includes the key role of working with the Passenger Committee network, the Scottish Executive, Welsh Assembly, GLA and English regions and local authorities. We will be taking on a wider role in relation to the EU and the UIC as well.

Terence Jenner in Corporate Services looks after strategic planning, as well as economic analysis, network group and the BR residual functions, not to mention the legal department. Martin McGann in finance is involved in the discussions with DETR and Treasury on funding for the industry as well as for procurement policy, HR and the accounting function and all matters relating to TOC finances.

The commercial directorate under Nick Newton is responsible for the policy on franchise replacement and high level relations with Railtrack, rolling stock and our growing interest in stations and car parks. Julia Clarke's Freight team is handling strategy and freight grants, which I want to come back to later, while Infrastructure under Peter Hansford is responsible for capacity studies (including HSL) and the establishment of project development groups.

The role of the delivery directors is to manage passenger franchises, including the replacement process, implementation of freight projects and to develop and bring in infrastructure investment schemes. They will play a prominent role in monitoring performance in their areas, stimulating improvements and pulling the industry parties together to deliver what customers expect.

The executive directors here are Chris Kinchin-Smith (Strategic Routes), Gary Backler (Regional Networks) and Richard Morris (London & South East).

Before I talk about the mechanisms and process for delivery, let me review our role briefly. We are not train operators or network providers, so we cannot be 'command and control' in the way BR was. What we will do is to provide leadership and direction for the industry as a champion of the interests of passengers and freight customers. From tomorrow this role is enormously strengthened by Stewart Francis and the whole RPC network who, under our sponsorship, will provide a strong passenger focus and a new regional dimension on everything we do.

I will talk shortly about how we will procure specific improvements and encourage development of the network through public/private partnerships, but I should flag up the need to provide value for money right at the outset. We are talking of commitment of substantial sums of taxpayers money to deliver tomorrow's railway, for which I am accountable to Parliament. A recent three and a half hour session with the PAC was a sharp reminder of just how personal that accountability is!

So, there will be no free rides. Joint venture schemes will need to bring quantifiable benefits to the SRA on behalf of customers and taxpayers. Our appraisal systems do take account of external benefits - relief of traffic congestion or environmental benefits, for example - but they have to be real benefits that can be quantified, not notional aspirations.

We now have a number of levers to deliver the improvements that we all want to see. On the passenger side, the main focus has been to work on replacing the short term franchises, and I will give some examples of how that is working in a minute. Essentially, the process we have developed is flexible enough to deliver firm commitments as part of the core franchise proposition - usually in the first four or five years leading up to the first review point. For the medium and long term, there will be primary and secondary aspirations - essentially ideas that need further development or statutory approvals before they can become firm commitments.

For the seven longer term franchises, we are prepared to consider extension, and indeed, have already agreed a two year extension with NEG for Midland Main Line. In this case, we forego premium payments totaling £30m, in return for investment in new trains, journey time reductions and a Parkway station worth £238m.

For more modest local schemes to attract passengers from road to rail, we have the Rail Passenger Partnership fund - essentially a pump-priming measure to get projects up and running. I will be announcing two further schemes tomorrow. So far, we have approved 17 schemes worth around £15m, but ample funding is available for worthwhile schemes, and I would urge operators and local authorities to come forward with more of these proposals.

Finally, delivery directors will be managing franchises more pro-actively in future, looking to work with the Train Operating Companies to secure further improvements within the new franchise terms, rather than just managing the existing contracts.

Freight is different, as there is no franchise agreement or other existing contract with freight train operators.

To deliver our freight objectives we will have a number of mechanisms.

Freight facility grants we take over from DETR and we have consulted widely on extending the scope of the grants to broaden their appeal to customers.

Track access grants we also take over and will use to attract freight from road which would otherwise be deterred by the level of track access charges. We aim to extend its scope and, on larger proposals, to introduce some competition into the process through a company-neutral support scheme, allowing freight train operators to compete for the grant.

A key part of the freight strategy is route clearance for 9'6" containers, and we will be developing two key freight routes to provide structural clearances and capacity to increase the rail market share of container traffic from the biggest container ports in the country at Felixstowe and Southampton. The result we expect to be a reduction in the number of juggernauts on the A14 and the A34.

In some cases, additional capacity created through franchise replacement will also assist freight, and bidders will certainly have to protect the interests of freight in planning the expansion of passenger services.

Finally, we shall be supporting developers in planning applications for strategic freight depots, to help them overcome the NIMBY tendency.

We have talked about the concept of the Project Development Groups before. Given the fragmented nature of the rail industry and the difficulties facing Railtrack in raising investment and in managing a programme of the size envisaged in the Ten Year Plan, the PDG is going to be the best and only way forward, working together.

The Groups will always include the SRA and Railtrack as well as partners prepared to invest in these major infrastructure projects, and those bringing in project management skills to ensure delivery. The principal objective of the PDG will be to plan the project. It could then go on to consider financing, and possibly construction, at which point the role of the PDG may change. In all cases, it needs to be delivered to Railtrack to operate. Railtrack control is essential for safety and operational reasons. Needless to say, benefits will be shared between the parties in line with their contributions.

The first PDGs are now being established, and I have already mentioned the two routes from the ports. East Coast upgrade is also driven by the need to provide capacity for freight growth, as well as for higher speeds on ECML. East London line will provide a new north-south link for London suburban services. In each case the schemes are for a multi-operator section of railway.

Other ways of funding and managing infrastructure investment will be through franchise replacement, freight grants or through the so-called 'incremental outputs'- to provide modest capacity, speed or station improvements which we will fund directly with Railtrack.

A lot of work is already under way to understand the need for investment in the medium to long term, and some of these are likely to be taken forward as PDGs. In particular, we have been looking, with Railtrack and the PTEs, at the constraints at the heart of the national network around Birmingham, and on the approaches to Manchester.

We are also looking at transport corridors with the Highways Agency and with local authorities. In the South Trans Pennine study, we are looking at the feasibility of reopening a closed line through the Peak District to provide a new link between the East Midlands and the North West.

In multi-modal studies around the country, we are working with the Highways Agency and regional agencies to see what scope there is for rail to take a larger share of growing transport demand as part of a package which will reduce the need for new road capacity. An early result of this is the commitment being sought in the Wessex franchise to increase capacity through double tracking the railway which parallels the A 303 to Exeter.

On franchise replacement, we have made a start on twelve franchises. We are well advanced on Chiltern and moving ahead on South Central, and we have submitted ECML to Ministers. In the not-too-distant future, we will be in a position to identify preferred bidders for SWT and Trans Pennine Express. Central is under consideration while we sort out some important policy issues with Centro, which will affect other PTEs. We are moving towards shortlisting bidders for Wales & borders and Thameslink, although the delay in the TWA inquiry is causing us to think further. We will announce prequalifiers for Wessex in the near future. We are developing proposals for the important Northern franchise which will cover a wide geographical area and include five of the seven PTEs.

MML extension I have already mentioned, and the only vertical franchise for Island Line will be extended while we decide how to replace the trains and signaling on this unique piece of railway.

Perhaps the best way to illustrate delivery is to look at the first two franchises where we have reached Heads of Terms.

On Chiltern - a relatively small franchise - we have secured a commitment of £370m to provide additional track capacity and more trains. Much of the extra capacity is created by reinstating tracks removed in the 1960's and 70's during a period of retrenchment. Once this is in place, the commitment to move to a higher performance level will be delivered by 2004.

By this date, too, level access will be provided at all Chiltern stations, and there are commitments on car parking, bus links and secure cycle storage to improve access to the railway.

All trains will be new, or will have been refurbished by 2006.

Primary aspirations include a further Parkway station to siphon traffic off the M40, as well as a possible link to Oxford.

On South Central, the investment total is £1.5 bn. I know Roger Ford claims that much of the rolling stock has to be provided anyway, under the Mark I replacement regulations, but these trains have to be funded, and franchise replacement is the way in which the requirements of the legislation will be delivered. About 600 coaches will be to replace Mark Is - the rest will be for growth.

The key commitment on capacity is to provide seven extra paths an hour between London and the South Coast, through dealing with bottlenecks at Croydon and Gatwick Airport, and through development of the Arun Valley route as an alternative. Building in operational resilience is one of our key objectives, and when this is in place, we will be able to raise the performance thresholds on this important route.

Working with TfL to develop the South London Metro concept is also a commitment, as is a new station for Merton and electrification of the remaining pockets of diesel operation on the patch - the Uckfield and the Ashford - Hastings lines. Aspirations include doubling these routes, and the possible extension of the Uckfield line to Lewes, providing a third route option to Brighton.

Summing up - this is what I mean by delivery. A railway with greater capacity with elimination of key bottlenecks; more and better quality rolling stock, and investment in passenger stations and freight terminals to improve accessibility to the network. It will be a more resilient railway, with better trained staff, higher standards of customer service and much better information.

Alastair has given a clear indication of the vision, and this is how we will deliver it. Time and public patience is running out. We need to get on with it!