

**31st January 2001**

## **Sir Alastair's Speech**

to Waterfront Conference "Expanding the Railways"

London, 31 January 2001

The SRA's Strategy for the Railways

Since I became chairman-designate of the Strategic Rail Authority in April 1999, tasked with setting it up on shadow form prior to what became the Transport Act 2000, it has been my habit to advance the SSRA's policy stance piece by piece - as in a chess game - in policy speeches delivered every two or three months.

But as so often happens, it was in a minor speech last month that I turned a phrase that caught the media's attention. "The rail industry seems to be having a nervous breakdown".

I do not retreat from that remark. We know already that all who work in the rail industry were severely shocked by what the Hatfield tragedy revealed about the breakdown at the interface between the wheel and the rail - the epicentre of a railway system. Those who maintained the rails - the Independent Maintenance Contractors or IMCs - and those who ran the wheels over them to carry passengers and freight - the passenger Train or Freight Operating Companies (TOCs and FOCs) - each had a contract with Railtrack, but no operator has a contractual relationship with an IMC. It all passes through Railtrack, the owner and operator of the network. And Railtrack seemed to have gone missing. It had the power but was it taking the responsibility? It had the duty - was it meeting the obligation? It seemed to have ceased to be intellectually in charge of the quality or quantity of rail provision. THAT was a shattering breakdown from which rail is only now beginning to recover.

Any accident in the home, on the road or on the rails in which four people die is a tragedy. But if I may be permitted to talk in national interest terms, the aftershock of Hatfield

was far greater than any issue of derailment. It has been a pivotal moment in British railway history - calling into question the structure of our industry.

The structural consequences have not yet worked their way through, but rail is beginning to recover. It is time to move on, 15 weeks after Hatfield. But where are we going, by which route forward, structured in what relationship to each other? And before I talk of moving on, let me underline the big S, for Strategic, in the SRA. It has not been our task, it is not our task, to be out there bounding down the track giving orders to seek out broken rails, etc. But the

SRA has been standing close by watching the recovery and thinking deeply about the implications of this pivotal moment for rail. It is the structural implications and medium-term consequences that concern us. How best does the industry go forward? How do we get a Safer, Better and Bigger railway?

Part of the post-Hatfield process has been to seek common ground across the industry to some very searching questions:

Can we continue with the industry structure we have? Answer Yes

Can we pursue performance as well as safety and growth? Answer

Yes, and we must.

Are there perverse incentives and conflicts of interest in our structure that work against the principle of co-operation to deliver a safer, better and bigger rail system? Answer Yes, and we can reduce them.

The SSRA convened senior management from all parts of the industry to address those and many more detailed questions. At our most recent meeting , we agreed to set up the Rail Industry Group, or RIG, with chief executive-level representation from passenger and freight operators, from Railtrack, from infrastructure contractors, from the RPC and the SRA. It has observers from DETR, from ORR and from the HSE. It is supported by executives from ATOC and RIA, the suppliers' association. I will chair RIG. I see it as a vigorous liaison and problem-addressing body bringing the SRA together with the industry that will define questions and issues and put them to strong working groups - rather than to lawyers - for expert and co-operative recommendations. The industry has to work together: the Rail Industry Group will co-operate to bring that about.

Within the SRA the 14 member Board meets for the first time in that capacity tomorrow morning- though as shadows they are already working well together. In front of them will be an advanced draft of the SRA's Strategic Agenda - and please note that title. Our Strategic Agenda means the questions to be answered, the practical steps forward to be planned, the structures and projects to be developed, the industry consensus to be encouraged, and so on. That is not a Strategic Plan, telling everyone to sit down and read what each is to do, in what order at what time.

The Strategic Agenda will be published quite soon, later in February. It has been delayed by "events" - as Harold Macmillan described the changes in circumstances that caused him the most trouble. I could recite them, but it is enough to say it was only two weeks ago, on 15 January, that we knew the Regulator's review was not going to evaporate in front of the Competition Commission over the length of 2001, taking with it any probabilities about Railtrack's financial capacity.

Whatever they come to mean in terms of money, the Regulator's Review plus the consequences of the Hatfield have meant delay in the strategic assessment of ways forward. There has been another source of delay, too -

our refranchising process has been running behind schedule. It is producing real benefits from the competitive process, but as 2001 begins we do not yet have as much information from the market as we would wish. Again and again I have said this must be a market-led strategy - the franchise bids must lead.

The SRA's Strategic Agenda will spell out that we face challenges under nine headings:

We have to build a :

(1) safer

(2) bigger

(3) better

railway system for:

(4) passengers

(5) freight

(6) infrastructure

by means of a:

(7) public

(8) private

(9) partnership.

Each of those nine headings carries within it challenging strategic issues of ownership, responsibility and funding of operations and construction. The Strategic Agenda will spell out what we see has to be done under each heading, and point in the direction we ought to go. I intend that in identifying questions and indicating intentions we should provoke reactions and more questions. The Agenda will say what the SRA will be doing in the immediate future, this year, to develop the medium-long term future of the rail system; and in doing so it will provoke a positive form of consultation. That is how we hope to progress faster with less circumlocution, and without the diktats from the Treasury that BR had to endure as it underinvested its way to misery.

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And it is important there be less circumlocution. Public patience and tolerance have worn thin these last two or three years, and particularly the past three months. We need to recognise:

- the purpose of the rail system is to provide a public transport service; which
- requires substantial public funding and investment for at least a while to come.

However strongly any rail veteran may believe that railways are about operations, and the interest of users are subordinate to the requirements of operators - the fact is that we will not get public funding simply to run trains. We will get funded to deliver the service the public wants, at the time and place the public it wants it and in the form and to the standard wanted. Let us be clear about that. Let me take that requirement to pieces and examine each piece. How does this public service, rail transport, achieve that purpose? Let me talk about Bettering the railway, because that is the precondition of Expanding it.

For passengers - in no particular order - I suggest that has to mean the railway must be:

(1) accessible - meaning there must be real-time, easily obtained information; there must be stations would-be passengers can reach from where they live and work; and it must be simple, wherever possible for the disabled too, to board, to change and to leave trains at those stations.

(2) integrated - there must be space to park cars and cycles, acceptable to local planning authorities (some commuter towns don't want heavy extra vehicle flows in rush hour); there must be good linkage with bus or, in big cities, metro services; and with airports;

(3) reliable - meaning the trains can be relied to turn up and go, on or close to schedule, which *inter alia* means we must build in more resilience, more ability to recover from setbacks;

(4) safe - in contrast to their lawyers and to the popular media, most railway users understand there is no such thing as perfect safety in any form of transport but they do want to be sure the system the system is well-equipped and properly managed; they also want to be secure on and around the stations.

(5) useful - the timetables, the route planning, the train sizes and the frequencies must be appropriate to modern residential, work and leisure patterns.

(6) comfortable - the reliably punctual, usefully routed trains must also be reasonably comfortable. Standing for 20-30 minutes in rush hour is not unacceptable, but not nose-to-ear!

(7) desirable - by which I mean quality of image, courtesy, appearance and content that attracts rather than repels and suggests respect for the customer.

Most people believe that better furnished premises get vandalised less; most people react better to courtesy than to inarticulate indifference. If that means training Virgin Train conductors to be as pleasant as Virgin Air hostesses - so be it! Intercity train has to compete with short-haul air.

(8) affordable - I may be in a minority but I am sure that fare increases for six years at less than RPI - i.e. a very modest real decline in average fares, are a lot better than the state LUL or BR have ever offered. Nevertheless, I believe it is an area for careful planning and market research; and I do think it would improve rail's image if 40p-120p a week increases in commuter season tickets were avoided at time like this, even if the rules permitted them.

That's a list of eight commandments - not a menu of eight options. Postcards giving me No 9 and No 10 to the SRA, please - but only from the point of view of the user, the customer in the market place for decent public transport.

And after passengers, freight. Rail has to raise its game and produce the reliably efficient service culture the logistics industry now expects. Time today prevents me pursuing that, but it's important, very important. Trucks as well as cars burden our lives with congestion, pollution and accidents and demand our land for roads. But our standard of life depends on our freight logistics system.

In February 1999, almost two years ago, when I was announced for this position - I said "It's all about investment, investment, investment." I still think that; and the SRA's imminent Strategic Agenda will be investment-led. Some of the above eight commandments will take a lot more investment than others, but all will take some - either in obtaining or training people or in acquiring fixed or moving assets.

And finally, I still believe - totally - that Railtrack cannot provide all the investment required by the infrastructure. Since last October, there has come a big difference - no one now disagrees with me on that, not even the Conservative Party spokesmen or Railtrack itself. That if I may say so is progress; and it lays upon the Treasury, as banker to Railtrack's investment partner the SRA, the need to provide the resources for the public partner in this public private partnership.

So, on the eve of celebrating the formal birth of the Strategic Rail Authority, let us all resolve to get a move on, together, in an investment-led public private partnership to deliver for Britain a seriously good rail service, sooner rather than later!

And let me end on a firm, upbeat note. From the notorious recent poll by Bob Worcester's MORI polling outfit, the media selected the segment that suggested it might take years for passengers to return to rail. TOSH, say!! People who use trains because it is to their advantage to do so have already returned and more are coming every week on the lines that are now back to

85%-90% normality. That is at the better end of the expectations, but no more than I believed possible. On all but a few routes, the trains are at the station now, expecting passengers who can expect a reasonable journey.

Accordingly, once more, we must plan not only for a Safer and Better rail system, but also a Bigger one. We have to invest - whether we reach 50% growth in 10 years or 12 is irrelevant: capital projects over and around a densely operated network are achieved so painfully, and mature to their full benefit so slowly, that we should proceed as soon as we can. We'll need the capacity as well as the performance and the safety by the time they are ready. We need some of it already - that is why the SRA is set to work for the expansion of Britain's railway system.

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