

2nd March 2001

Speech by Sir Alastair Morton

to the

IMechE Railway Division Annual Luncheon in London

on 2 March 2001

This year we meet under the cloud of quite extraordinary events, most particularly Wednesday morning's tragic accident in South Yorkshire. I do not believe anyone could have scripted as bizarre a set of circumstances as combined two days ago to import death, injury and damage on such a scale onto the railway from a relatively common highway mishap.

From time to time vehicles on motorways veer off their side of the road or, worse, cross the median barrier into the oncoming traffic. Near where I have a home, close to the Hampshire/ Sussex border, a few years ago an unlicensed teenager wrote off a minibus and its occupants on a motorway in that manner. We read of coach accidents, and so on. Highway travel does not pretend to be as safe as rail.

But for a single occupant vehicle on a motorway to get between two heavy trains approaching each other safely at speed simply defies credibility.

Our hearts go out to the families, relatives and friends of the victims, particularly of those railway employees who died at their posts. I have expressed personally to Chris Garnett of GNER my sympathy to him and his colleagues that fate should have singled them out for a second hammer blow in four months. It is very hard to bear when you caused neither. I am sure that reflected the views of all of you here.

In industrial terms that event four months ago, the derailment at Hatfield, was more traumatic. It revealed problems we did not wish ever to see within our industry and occasioned a period of deep soul-searching within the industry. We reflect on change and the need to change an industry where orderly change and development take time, a lot of time.

The first time I spoke at this lunch, in the first week of March 1988, thirteen years ago, I reminded the industry and its friends that Eurotunnel - of which I was, and remain, very proud and am now Honorary Chairman - Eurotunnel had raised its equity capital and debt, a total of £6 billion at the end of 1987, and work on the Channel Tunnel was going ahead.

I went on that day to call for Britain to embark on building the High-Speed Rail Link from the Tunnel to London. Thirteen years later I note that the CTRL is

under construction across Kent, about on time and budget, and due to open as far as the south bank of the Thames in 2003. I am proud that is so, and I was pleased in 1998 to be able to play a role in keeping the project alive; but I regret that it will be over 15 years from my speech to the completion of half the Link. It will be 20 years for the full Link. Development comes slowly.

The Link is going ahead, as it should, as a PPP - largely because of the vision of a better railway system brought into government by one man - John Prescott. Because I support his vision, expressed in the 1998 White Paper, and because most people in and around the industry supported it, I was pleased to be asked to set up the Strategic Rail Authority.

This has now been achieved. Four weeks ago the SRA's 18 months of shadow preparation ended and the SRA was formally established under the Transport Act 2000. Yesterday, my Board authorised the printing and the publication of our Strategic Agenda.

That Agenda will tell you what we are doing and hope to do to support the industry in driving forward out of this period of doubt. Please note I said support the industry in driving forward, not that we will drive the industry forward. Let me just add, if I may, that that same Board meeting supported me in ending the pause in the refranchising of the East Coast franchise. We have sorted with Railtrack what is in which estimate, and what will not be. We are set to move ahead as soon as Gus Macdonald signs off. For a whole list of reasons we all here find the privatised structure of the industry today sits somewhat uneasily on the operation and development of Britain's railways. We ask ourselves, and the media lecture everyone on, the question - do we want the entire structure to be thrown into complete upheaval in an uncertain search for a structure that will escape Treasury insistence on under-investment, yet will avoid the difficulties of fragmentation?

Let me make my position very clear, and it is the same as that of Chris Green two weeks ago in his Memorial Lecture in honour of that great railwayman, the first Bob Reid. WE DO NOT want to start all over again. We must make the structure we have work properly. I think we can.

In the words of A A Milne, the railway industry in this country feels it has "let go of nurse" and has today "found something worse", or that seems to be worse. I respond, like Chris Green, with another cliché, "We are where we are" and we have to go forward, and we can.

I do not wish to belittle anyone's efforts since the Railways Act 1993 authorised the fragmentation of BR and its privatisation, but I feel we are at a turning point. Let me put it more positively - seven years after the separation of infrastructure and operation came into effect in April 1994, we must agree now, this spring, that a long and sometimes discordant overture to our opera has ended, the curtain has gone up, and we are going to put on a good show going forward.

I call it an overture because it has really taken the industry until this period after Hatfield to get the measure of the problems in its new structure. We have known for quite some while that the fundamental premises of privatisation were faulty - particularly the minimal growth scenario. We have known for some time that short-term operator franchises and maintenance contracts were working against a good railway; some of us have argued for some time that Railtrack is too small or weak to fund and manage a rapidly growing enhancement programme. Most of us now agree on the problems. And so on.

We have yet to agree, semi-consciously as it were, on the solutions. As I said, we are where we are and we must go forward - to grow up; to cure, replace or repair our shortcomings - not back, to some hazy, but in fact very uncomfortable public sector womb. Let us dedicate ourselves to that resolve.

What does that tell you of my, of the SRA's views? It means that we believe Railtrack's core business goes forward at the wheel/rail interface, having promised to bring the maintenance contractors and operators both into its confidence and having retaken what I call "intellectual control" of that crucially important interface. It means Railtrack remains the operator and controller of the network, but with a new sense of mission to serve the public and serve its customers, the train operators, that must permeate down into a better zone structure.

It means that train operators and freight operators will concentrate on serving their customers - both passengers and freight shippers - but are supported by a more open and co-operative Railtrack sharing problems with them.

It means, as I always say, investment, investment, investment. Promised by TOCs under new franchises from the SRA, by freight operators with new and extended forms of financial support from the SRA, and by Railtrack in a new partnership with the SRA.

It all sounds positive, you've heard it from me before, you will read it in our 50-page Strategic Agenda. Where's the rub? What is happening now or has happened already? Why is it not a Plan, rather than an Agenda with a Plan to follow? If the curtain is up, what is happening on stage?

Well - as I said - orderly change and development in the rail industry happen slowly. Big, dull truth - thud! Add a second big, dull truth - in aggregate, putting freight and putting regional passenger services onto the scale with the more prosperous strategic intercity routes and London commuter services, in aggregate this industry needs a lot of long-term outside capital and needs big supplements to its farebox cash flow, to pay its way and invest and give Britain a satisfactory public service from rail.

We need TOCs, FOCs and others to bring capital in but above all we need Railtrack, the big one, and the SRA - even bigger - to bring capital in. Grappling with those two needs has taken last year and the first quarter of this

- and most of that period we have observed that Railtrack seems smaller and smaller in relation to the size of the growing task, which increases the need for capital from other sources.

Let me be clear - Railtrack has two tasks:

I talked of the first task a couple of minutes ago: Railtrack as network controller and operator, owning the interface issues and solutions where rail meets wheel. That is the utility task, the core business, into which Railtrack was privatised, for which it is paid by track access grants set by the Regulator. The task of operating, maintaining and incrementally renewing the rail network. As we go forward to improve the railway, Railtrack's core task is to do that job properly.

But the second task facing the network controller is to bring about the growth of the network to carry today's and tomorrow's needs - to respond to Condition 7 of its Licence. Railtrack was not privatised with that task stamped on its forehead - it grew into it, or rather has not grown into it. The task is bigger and more costly than Railtrack can manage or afford.

So - back to my two big dull, thudding truths - things happen slowly and external funding is necessary - we all have to work together, but in particular the SRA - representing government as the public sector partner - and Railtrack as the key but not only private sector partner. The SRA and Railtrack have to work to bring together the management and funding of the network's growth to carry the growing traffic safely and in better style.

Steve Marshall and I agree on that. It is an advance on last year's debate - in fact it is its conclusion. Now we have to put it all together and make it happen, down through our organisations, across the network.

And we have to do that, ladies and gentlemen, at the same time as we all deliver a better and better public service from rail - we need more resources, not only money but people, trained people, skilled people. I know well that the crucial precondition for getting more is to get the project flow regular. Keep shouting that at the SRA and Railtrack - but you also have to attend to the supply as well as the demand. Let that be the resolve of the Railway Division of the IMechE - you'll help to develop the necessary people - as I ask you to drink the toast to The Railway Division of the Institution of Mechanical Engineers, coupled with the name of John Nuttall, its Chairman.