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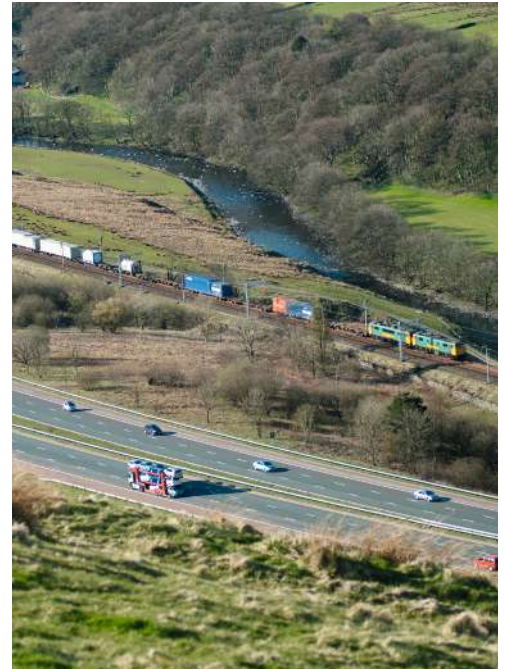
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Nigel Harris The Editor



Q3 Introducing a brand new B2B rail journal

Welcome to *RailReview*. This is an entirely new, different and unique quarterly business-to-business journal from the *RAIL* brand, which publishes not only *RAIL* magazine, but also stages the National Rail Awards, National Rail Conference, the RAIL100 Breakfast Club in London and the RAIL100 Scottish Breakfast Club.

You won't find *RailReview* in the shops. You won't find any advertisements in our 80-page issue. And, maybe more surprising, you won't find any news either. Our sister title *RAIL* does a second-to-none job on that every fortnight - which is why it is not only the market leader (and by a huge margin) in its sector, but also sells more copies each month than any other UK railway magazine.

So, what will you find in our quarterly issues, and who is *RailReview* for?

It's really simple. This journal is aimed squarely at the railway's top executives in operations, train building, infrastructure ownership and maintenance, regulation, supply and Government. It is for those managers who spend their lives working at the highest levels of railway planning and management.

RailReview is a key component in a new membership group known as the Rail Network, which will include a range of connectivity and communications tools for those rail executives making the biggest decisions.

RailReview will focus on the biggest strategic, political, financial and operational/maintenance issues facing the industry. Writers will include key rail industry figures and experts, together with the country's best rail journalists.

In this issue, we have in-depth feature article contributions and analysis by:

- **Mike Jones**, career rail manager in both passenger and freight sectors, founding director of First Class Partnerships and Director Hull Trains.
- **Maggie Simpson**, Executive Director, Rail Freight Group.
- **Len Porter**, formerly Chief Executive, Rail Safety & Standards Board.
- **Jim Steer**, Director, Steer Davies Gleave.
- **Mary Bonar**, Consultant, Bevan Brittan LLP.
- **Professor Andrew Evans**, Imperial College London.
- **Adrian Shooter**, Former Chairman and

Managing Director, Chiltern Railways.

- **Anthony Smith**, Chief Executive, Passenger Focus.
 - **Christian Wolmar**, Transport writer and broadcaster, and *RAIL* columnist.
 - **Professor Paul Salvesson**, Transport analyst.
 - **Chris Bolt**, former Rail Regulator and LU PPP Arbiter.
 - **Richard Price**, Chief Executive, Office of Rail Regulation.
 - **Cameron Taylor**, Primary Account Manager (Rail), Tesco.
 - **Nick Gallop**, Managing Director, Intermodality Ltd.
 - **Chris Green**, Former Managing Director, NetworkSouthEast.
 - **David Simpson**, Operations and infrastructure adviser.
 - **Phil Haigh**, former Deputy Editor of *RAIL* and now a specialist freelance journalist.
 - **Paul Clifton**, BBC South Transport Correspondent.
- We also have three superb regular columnists:
- **Chris Jackson**, Partner, Burges Salmon, Bristol.
 - **Robbie Owen**, Head of Infrastructure

The RailReview Editorial Board

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Jeremy Candfield	Director General	Railway Industry Association
Chris Jackson	Partner and Chairman, Rail Sector Group	Burges Salmon LLP

Planning & Government Affairs, Pinsent Masons LLP.

■ **Stephen Joseph**, Director, Campaign for Better Transport.

In this launch issue, our features:

- Analyse the effectiveness and outputs of the SouthWest Trains/Network Rail alliance.
- Ask what it will mean for Network Rail to go back on the public balance sheet.
- Examine whether it is correct that we have the safest railway in Europe - and can that continue?
- Look at what is needed for rail freight to truly reach its potential.
- Ask what is the Rail Delivery Group for - and can it really lead an industry it only partially represents?

The *RailReview* team hope you enjoy this high-calibre content, so do let us know what you think - not only about the arguments, insights and analysis we've presented, but about *RailReview* itself and the way we've gone about our new job.

If you have any editorial ideas or wish to contribute, then please contact me.

HOW WILL RAILREVIEW WORK EDITORIALY?

This new journal is an integral part of a new communications suite - the Rail Network - for top rail managers. It will sit alongside a range of new and bespoke digital resources to give the country's top rail executives a new and independent way to keep their

After each issue of RailReview is published, an Editorial Board of senior rail industry executives will meet to plan the strategic issues to be examined in the next journal.

finger on the pulse of what they need to know. It's a membership organisation very much driven by what those members want and need.

Which means that *RailReview's* editorial processes are as powerful and effective as they are new and unique. My role as editor on *RailReview* is more facilitator and moderator than traditional editor.

After each issue of *RailReview* is published, an Editorial Board of senior rail industry executives will meet to plan the strategic issues to be examined in the

Home Office could learn from the BTP

Paul Clifton's interview (pages 68-73) with British Transport Police Chief Constable Paul Crowther makes fascinating reading, not least because in my view the Home Office could learn some powerful lessons about reforming county policing nationwide.

Crowther came up right through the ranks at BTP, from Constable to Chief, and he is building on the fantastic work done by his two predecessors Andy Trotter and Sir Ian Johnston, who were both former 'Met' men. It's good to see a home-grown copper lead the force he grew up with.

But what really caught my eye was Crowther's comments about how BTP has reformed. It has cut back 120 back-office staff. There are 36 fewer very senior officers. Seven regional Divisions have been cut back to three. The £9 million saved has translated into 208 more frontline officers. That's the way to do it.

And that's what Secretary of State Patrick McLoughlin could maybe point out to Home Secretary Theresa May, who has proved she's unafraid to give the police a dose or two of reality.

In a country the size of the UK, I've never understood why we need more than 40 Chief Constables with all their deputies and staff - and why every one needs their full complement of detectives and services. Significant savings are to be had (it seems to me) by merging lots of

them and doing what BTP has done.

It's working, too. BTP is genuinely popular and valued by the rail industry that pays for it.

But it was not always like this. In the days before Ian Johnston took over, then Virgin Chief Executive Chris Green and I lambasted BTP for its ham-fisted handling of a low-speed Mk 3 derailment at Law Junction, Glasgow. A trainload of passengers were detained and handled like potential suspects for hours. The railway was paralysed.

BTP took the criticism very badly, and in a visit to my office that I'll never forget, a senior BTP officer wearing lots of silver braid sat in my office and told me (and I paraphrase from years later): "If you criticise us, you need to know there will be consequences."

Yes, really! I terminated the meeting and sent him packing. Ian Johnston arrived as the new Chief shortly afterwards, and within days I heard that the senior officer who had visited me had 'retired'.

There was a groundswell at the time (that was gaining momentum in the railway) that sought abolition for the BTP. Now Paul Crowther is building on the work of his two outstanding predecessors to enhance respectability and credibility yet further.

You quite rightly don't hear any abolition nonsense today about the BTP.

next journal. This Editorial Board is to be chaired by former RSSB Chief Executive Len Porter. (See the panel opposite for the list of members who have so far confirmed they will join the Board.)

This Board will agree the key strategic areas to be covered. I will then match suitable features with the best writers and commission the words, and then obtain the peer reviews to prime the pump of debate.

If there are any strategic, political, financial, operational or other top level matters you think we should be looking into, please let me know and I'll put it on the Editorial Board agenda.

1.1 MILLION GALLONS OF OIL SPILLED... IN THE USA

We can be very proud of our rail safety record in the UK. No passengers have died on a British train since Margaret Masson lost her life in the high-speed Virgin Pendolino derailment at Grayrigg in 2007.

But vigilance must be maintained. ORR Director of Rail Safety Ian Prosser also pointed out to me recently that last year was the first on record with not a single passenger train derailment. That's a great result when you consider we run 24,000 trains a day - or around 6.25 million a year. That's a staggering incident-free mileage.

Of course, our safety record regarding workers isn't quite as good, and NR Chief Executive Mark Carne is determined to do something about that. We also need to work harder at stations - more people mean more slips, trips and falls.

In this issue, on page 33 you may therefore be shocked to see our selection of European rail accidents and fatalities in this last few years - all worth remembering next time the *Daily Mail* tells us our railways should be more continental in outlook.

But I saw a story in *The Times* recently about the USA that really brought me up with a jolt. The USA has overtaken both Russia and Saudi Arabia to become the world's top energy producer (thanks to

extensive domestic fracking), but they are struggling to move all the crude oil around.

There aren't enough pipelines, and so oil by rail is booming. Rail is now carrying 16,000 car loads of oil every week, compared with 9,500 in the whole of 2008.

Railroads, wagon builders and leasing companies are raking in the revenue - but the massive extra traffic has also led to a string of derailments, crashes and explosions. One incident alone in Canada last year killed 47 people.

In 2013, more than 1.15 million gallons of crude oil were spilled from rail tank wagons - more than was spilled in the entire 40 years or so combined since the federal US government began collecting such data.

New safety regulations have been hastily introduced on rail movement of oil, covering tank design, train speed and routing to avoid highly populated areas.

These shocking figures really do put Paul Clifton's interview with Ian Prosser into very sharp focus.

BRITAIN SHOWS THE WAY WITH SLEEPER TRAINS

In Britain, the modern privatised railway still has two sleeping car trains, and both are now secure. In Europe, however, 'sleepers' are rapidly being scaled back or withdrawn as "uneconomic".

Who would have thought it? Only 20 years ago, when sleeping car trains in the UK were seen by Government and the railway as obsolete, outdated and heading

There's actually no basis for an argument that sleeper services have had their day

for the scrapyards, their supporters pointed to a robust - and heavily subsidised - sleeping car network in Europe to prove why we were wrong.

Today, albeit following the superb grassroots 'Save our Sleeper' campaign led in Cornwall by former RAIL staffer and current editorial freelance Andy Roden, First Great Western's Riviera service boasts refurbished stock, a solid reputation and bookings aplenty.

North of the Border, Transport Scotland emerged from a vigorous recent bidding initiative to award the Caledonian Sleeper (currently run by First as part of the ScotRail franchise) to Serco. New rolling stock is to be built by Spain's CAF, and the service promises great things.

How the tables have turned. The *Guardian* recently reported that Deutsche Bahn has announced that City Night Line sleeper services on the Climate Express route (Brussels-Copenhagen) will cease from November 1. In December, the night train connecting Paris with Berlin, Hamburg and Munich will go, too.

The sleeper linking Prague and Warsaw with Amsterdam will run only from Cologne. And the multi-gauge *Elipsos* night train from Paris to Barcelona and Madrid

was withdrawn last December.

DB blames a five-year 25% fall in sleeper tickets, and a loss of 12 million euros on its three worst-performing sleeper services. Cheaper road coaches and budget airlines are also cited, although critics are saying that the failure to provide new rolling stock to replace shabby older vehicles, and phasing out chefs and dining cars in favour of microwaved 'socket set' ready meals has eroded the sleeping car's appeal.

There's actually no basis for an argument that sleeper services have had their day - rather that European railways are not 'getting them right' nowadays. It's a different story here.

As successful SoS campaigner Andy Roden commented: "Britain has proved the concept works - it just needs suitable stock and proper marketing."

Amen to that.

INVESTMENT 'RISING TO £106bn BY 2025'

A report by PriceWaterhouseCooper (PwC) forecasts that spending on UK major transport infrastructure projects must rise by 50% to £106 billion by 2025 - if roads and airports are not to seize up.

PwC believes that GDP growth will make this essential if the UK is to maintain its global competitiveness. The report makes clear that this does not assume that HS2 will go ahead, and that if it doesn't there will have to be major upgrades in other sectors.

Investing millions on freight - only to restrict its movement

Although freight has made great strides, I can't help but share Maggie Simpson's frustration at our inability to give freight customers a complete investment package that would be much bigger than the sum of its parts.

It's absolutely great that Felixstowe has invested a thumping £40 million in its north terminal - and the end result is spectacular. I visited with GBRf Managing Director John Smith, and if the long (and I mean LONG!) deepwater quay is impressive, then the truly massive container ships, carrying thousands of 'boxes', take your breath away.

Most impressive of all to me is the management control in place to know where all these boxes are and where they're all going, and which makes sure they aren't at the bottom of the pile when you need them. It's an astonishing operation, well served by upgraded rail facilities.

Well, I say well served. There are plenty

of travelling cranes, sidings, concrete hard standings and reach-stackers that rapidly unload ships (another will be in soon) and fill trains.

The problem comes when those trains try to leave. Having been blown away by the port's fantastic facilities, I was looking forward to my trip in the cab of a Class 66 on an outbound train heading for London.

We climbed into the GBRf '66', and John Smith said: "Right, watch this - you won't be so impressed now."

I wasn't. We slowly climbed the steep single-track connection to the main line, only to stop at a red signal short of the junction. We then waited for nearly 40 minutes for a path - the cause of a delay was a single-car passenger service that we had to wait for. As it passed in front of us, John's weary prediction that it would be all-but-empty proved to be correct.

This happens frequently, and the impact

on capacity is obvious and horrendous. And as if that hobbling the port's £40m investment with a less than optimal return isn't bad enough, you then learn that there's no access at all on a Sunday, because paths can't be guaranteed.

Small wonder that Tesco is baffled - especially when Sundays are when stores replenish their stocks. An obvious business development is therefore obstructed.

Can we really not resolve this? If we can't, there's little point in my saying how further gobsmacked I was when our heavy container train crept along the tortuous North London Line, threading its way at 5mph between the Overground and other services.

That Felixstowe to Peterborough and Nuneaton upgrade that has been discussed for the last 20 years can't come quick enough. It could even improve the average train speed from 25mph....

Scotland today - then Northern England, Wales, Cornwall...?

Britain's political geography and climate are in a state of flux

By the time you read this, the results of the Scottish independence referendum will be known. Whatever the result, Scotland will have to deal with the difficult morning-after-the-night-before.

This task will be very difficult, given the rather nasty mood which seemed to take root in the days before the poll.

Given the neck-and-neck opinion polls in the days before voting, an implied very close (almost tied) result suggests that the winner will be denied any kind of a significant mandate. Any post-election nonsense about the "people of Scotland have clearly spoken" will be just that - nonsense.

The people of Scotland look as if they are split right down the middle. Whoever wins, they will need to be gracious, magnanimous and dignified in dealing with a very angry, disillusioned group that may only, relatively speaking, be a couple of train loads smaller than their own clan.

In the Quebec secession referendum in 1995, the Canadian 'no' vote was 15-20 points ahead until the separatists secured a knife-edge lead two weeks before the vote. This galvanised a lacklustre 'stay together' campaign, which pulled out all the stops. Sound familiar?

In the poll, the 'yes' vote was 49.4%, and the 'stay together' campaign barely won with a vote of 50.6%. This was a hair's breadth margin of around 60,000 votes among millions cast.

As polling day approached in Scotland, one of the many things that caught my eye was the last-minute offer of yet more devolution of powers from the Coalition, in return for a 'no' vote. It struck me that that the Scots were being offered an incredible opportunity to achieve the impossible, by both having their cake and eating it. They were being offered virtual independence

while keeping the benefits of the union in financial terms, for which the rest of us would pay.

There is a very real relevance here for England's railways. Did the Coalition make this generous offer of further Scottish devolution merely as a political expedient to try and keep Scotland in the union - or does David Cameron really believe in devolution as a principle? If the Coalition

"Its people have been subjected to the same significant fare increases as the rest of the country. But unlike the metropolitan South, new trains and other desperately needed investment have been denied to northerners."

believes in devolution as a principle, why not similar freedoms for Wales, Cornwall or northern England?

The Scottish 'yes' argument easily translates south of the border. Northern England is a huge regional community with significant economic resources within its boundaries, in terms of industry, business and tourism. And yet it does not control its destiny in terms of taxation or major infrastructure investment.

Its people have been subjected to the same significant fare increases as the rest of the country. But unlike the metropolitan South, new trains and other desperately needed investment have been denied to northerners. A two-tier Britain beckons?

For 'proof' of this argument, you need

look no further than current DfT plans to cut subsidies to northern railways with the demand that more be done with less. This is a toxic mix for London politicians and civil servants - and I suspect they are painfully aware of it. I hope so.

This logic could equally argue that 'poor relation' status has been imposed by a distant and unconcerned Westminster government for which the North did not vote, and which either fails to understand or dismisses their concerns.

Familiar? George Osborne thought so - belatedly - with a statement as the poll approached about how "something must be done" in new franchise arrangements about "poor passenger carriages".

If 'devo-max' is now right for Scotland in principle in the Coalition's view, it's hard to see how it isn't right for the major English regions, too. I've said many times in *RAIL* that whenever there's regional decision-making you get better railways. This argument isn't going to go away.

We've already seen northern powerhouse cities such as Manchester, under the dynamic Sir Richard Leese, flexing its muscle as it drives for greater autonomy, and the growing One North initiative is keenly aware of this. Put Liverpool, Leeds, Sheffield, Manchester and Newcastle together and you create a powerful force that some economists say would rival London.

I seem to recall that around ten years ago, Labour's John Prescott (as Deputy Prime Minister) suggested a Northern English Assembly, but no one was interested. After the Scottish experience, that could change.

Whatever the result north of the border, a potentially toxic genie has escaped the bottle... and it cannot be put back.

Politics have changed - changed utterly. A new way is certainly being born. We just don't know what it is just yet.

The rail industry and Government need to make sure that their strategies, forecasts, plans, investment and management are of the highest order. DfT, RDG and RSG please note...

BETTER DESIGN - NOT ANNOYING HOLOGRAMS!

In our investigation on safety, ORR Director of Rail Safety Ian Prosser makes the point that station design needs

to have safety embedded into its DNA.

He's right. I'm sure I'm not alone in having ground my teeth in irritation at those horrific, creepy, talking hologram things that Network Rail is putting at the bottom of escalators. A happy lady with a wagging hand exhorts you not to take your heavy luggage onto the moving stairs, but to use the 'elevator'. I saw the first of these wretched things at Leeds, but the one at King's Cross is even more infuriating.

Ian makes the telling point that you don't

see such horrors at airports, because they design terminals so that when you arrive the lifts are right in front of you, and so you just use them. I was reminded of this recently when arriving by taxi at Paddington in the rank alongside the fourth span, next to the canal. You approach the lifts, which are impossible to miss - so you use them.

As spectacular as the 'new' KX concourse is, we seem not to have got it as right as we did at Paddington - otherwise we wouldn't need that creepy, infuriating hologram. ■



TIM SHOVELLER: PHOTOGRAPHY BY JACK BOSKETT. ©

SWT's success - with a warning for the future

Network Rail-South West Trains Alliance Managing Director **TIM SHOVELLER** tells **PHILIP HAIGH** that the successful alliance cannot be defined by performance tables or satisfaction surveys alone

You wouldn't expect a possession overrun to result in a blue light emergency response. But that's precisely what happened at Clapham Junction in the early days of the Network Rail-South West Trains Alliance'.

No track workers were injured. But four ambulances were called for passengers aboard delayed and disrupted trains during the Monday morning overrun near Twickenham. And, of course, more delays accrued from the time it took paramedics to reach the stricken passengers and treat them.

Alliance Managing Director Tim Shoveller recounts this tale to show how incidents on one part of a railway can affect another.

"When Network Rail talks about a possession overrun it would think about the safety of the people on the site, quite rightly, not wanting them to put them under pressure to get the possession done quickly. I completely applaud that.

"But we also have to understand that when a possession overruns the consequence is not just about the workforce, the consequence is also about the passengers who collapse because their trains are so overcrowded."

Shoveller had started this story by talking about the costs involved, before developing his argument to show how his railway now reacts differently because the track and train operator are joined together.

A Monday morning overrun is clearly visible in the takings from ticket machines and booking offices. In this case, they dropped £300,000, he recalls.

"We were able to see the consequence of that possession overrun as a railway," he tells RailReview.

"And what that meant was, yep, there was the Schedule 8 cost to the Route (which is shared with SWT), and there was a loss in revenue that was equivalent to £300,000 because people didn't - couldn't - travel. The two to three-hour overrun took out the Monday morning peak. So Schedule 8, which was equivalent to £300,000 funnily enough, and £300,000 from people - it's the equivalent of £600,000, as well as huge disruption."

He continues: "If you join the whole thing together you get a different view of safety. The point is that it's not one thing or another. You take a different view on what the costs are. Those types of event are unaffordable. So at a time when McNulty was perhaps saying there was too much contingency, perhaps we should say: 'no, no,

"The whole country is getting busier. A lot of the things we are seeing - the explosion in sub-threshold delay, the inability to renew the assets as fast as they need to be - those things will become common elsewhere."

no, no. On this railway - perhaps not a typical railway in terms of volumes or revenue - it's not right'.

"I'd do anything to avoid a £600,000 possession overrun. And I'd do an awful lot to avoid taking four passengers to hospital because the train was so overcrowded. And of course, when a passenger faints on a train, it delays the service. So at the very time when the railway is already broken, you create a yet greater dislocation of service."

A CROWDED NETWORK

When the Alliance was launched in 2012, it was very clear about what it wanted to achieve. According to its press release: "It is aiming to cut delays for passengers, provide better customer service, deliver more effective management of disruption, and improve the efficiency of the railway through more collaborative working and better decision-making."

On those measures, it's failed. Performance has dipped, passenger complaints for South West Trains have risen, and National Passenger Survey satisfaction scores have fallen. But is this the whole story?

Shoveller does not duck the statistics, but says: "Is the Alliance working? Absolutely, yes! Define what working means. Have we saved hundreds of millions of pounds? Is train performance better than it's ever been? No. Did we ever think that was likely? Er, no. But nevertheless, that's the common expectation."

Reminded of the words of the press release, he continues: "Is it better than it would have been? Absolutely! No one disagrees with that. Is it better than it could have been? Bloody right! How could it not have been? There's a counter-factual argument to say 'why would it be worse then?'"

"When we talk about all the initiatives that have been delivered, and doing a lot of what I would call the basics - getting a lot of the basics right, which to a degree weren't as in place as they should have been - how could any of those things have made performance worse? So I have absolutely no doubt, and we can prove on instance-by-instance basis that performance is better that it would have been. Absolutely no doubt."

He sharply counters accusations of failure, and rejects suggestions that his railway should be divided. He argues: "The performance deterioration started 18 months before the Alliance started. If you take out last winter (and it's crazy to include last winter because it was the worst winter in 200 years, and there's been nothing like it in my railway career) and replace it with an average of the last five years (and we've had some bad winters) you get a very different perspective on life. We have to keep a context. It was in trouble before we started.

"For the amount of effort and energy we've put into this, the easiest thing to do would be to say: 'yes, you're right, this hasn't worked, let's break it up'. No one has yet been able to give me any idea of why that would make it better. Everything we've done is ►

► about working together and solving the true root-cause of the problem. If we go back to how we used to be, then by very definition we'd have to undo many of the initiatives that we've now done."

Some of the numbers implicit in the Alliance are staggering. Waterloo station handles around 95 million passengers a year. The Up Fast line approaching the station handles 24 trains per hour in the peak. Passenger revenue is £1 billion a year. By 1100 each morning, SWT has run nearly 440 trains, with Waterloo handling all but a score of them.

This is a railway that's 'running hot'. It's also a railway that's almost paralysed by its own success. Shoveller accepts this description, and contends that there's a forecast for the rest of Britain's network: "It's an advance warning of what's going to happen over the rest of the country. I've done 23 years on the railway. I've done all sorts of jobs and worked in all sorts of wonderful places. I started here as a guard in Guildford. I have never ever seen anything like this in terms of the level of crowding, the level of complexity.

"The whole country is getting busier. A lot of the things we are seeing - the explosion in sub-threshold delay, the inability to renew the assets as fast as they need to be - those things will become common elsewhere." That's quite a prophesy.

He's reminded that since SWT peak performance in 2011, passenger figures have grown 10%, and he exclaims: "That's during a recession... on a railway that was already busting! I used to work 12-car trains into Waterloo as a guard. They were 12-car VEPs. Now they are 12-car Desiros. But they are still 12-cars, and they were full as 12-car VEPs. We run 24 trains per hour on the Up Fast alone in the morning peak. That's what Thameslink will only do after £5 billion and cab signalling."

He asks why the trains are still only as long today as they were during his time as a guard 23 years ago. Why has one of the most valuable railways in the country seen no strategic capacity interventions?

A suggestion that it's just too difficult has Shoveller almost leaping from his chair: "Got it! Absolutely right! I love talking to you. You're halfway there! I tell you, there's lots of other people in the railway who ask why is that.

"Politicians will say 'it's because it's a Labour government' or 'it's a Tory government'. 'It's because it's too difficult'. There was a scheme in CP4 to extend Platforms 1-4 at Waterloo and introduce ten-car operation on the suburban lines. It was agreed by all parties before

NR-SWT Alliance objectives

More effective station management: a single management team for London Waterloo, the UK's busiest railway station with more than 90 million passengers a year.

Better planning of track maintenance work: smarter train planning and improved access to provide more time for renewals, leading to a more reliable and punctual train service.

Improved response to disruption: a single team dealing with operational incidents on the network, through the Wessex Integrated Control Centre.

Faster decision-making: quicker resolution of issues through joint responsibility for work at stations.

Aligned objectives and incentives: employees from both organisations working towards common goals with consistent incentives to improve performance.

Building skills: cross-functional development opportunities for employees, enhancing skills and providing wider job experience.

Pooled resources: opportunities to share facilities, helping with winter preparations and providing a more efficient response to train service disruption.

Operational efficiencies: joint training, communications and occupational health processes

Source: NR-SWT press release, April 30 2012.

"At the start there was this mutual suspicion around the organisation. People in NR genuinely felt that they couldn't deliver the reliability they wanted for the railway because the TOC wouldn't give them the access they needed. And the TOC genuinely felt it couldn't run the service it wanted to because the railway wasn't reliable."

the Alliance concluded that it was too difficult - the consequence of extending the platforms at Waterloo would have been that the trains would have required to run out of five platforms not four, because the switches and crossings that would be removed would have meant that the layout was less efficient.

"You can't get the same reoccupation times because you then have to go further out to cross, and you lose capacity. You won't find anything else anywhere that operates at this level of intensity with these constraints."

At the heart of the problem lies the classic tension between track and train operators. One wants to run trains, the other wants to maintain track. They can't be done at the same time. As Shoveller puts it: "At the start there was this mutual suspicion around the organisation. People in NR genuinely felt that they couldn't deliver the reliability they wanted for the railway because the TOC wouldn't give them the access they needed. And the TOC genuinely felt it couldn't run the service it wanted to because the railway wasn't reliable.

"When you then break it down, unfortunately it wasn't the case that you can have a simple solution where the answer clearly is 'do that' and 'ding' - everyone's really happy. Because, actually, both parties were right. There isn't enough access to do the work we need to do. I can say that because I'm responsible for granting access. I have an 'access wand', as I describe it from time to time.

He recounts how he told his train planners that they could no longer refuse requests for access. They could either grant requests, or refer them upwards to the executive team for a decision.

However, he admits that waving his 'access wand' did not solve the problem. Even with access, time remained challenging. Taking electrical isolations of the third rail eats into access time, maybe cutting an hour's working time from a four-hour possession.

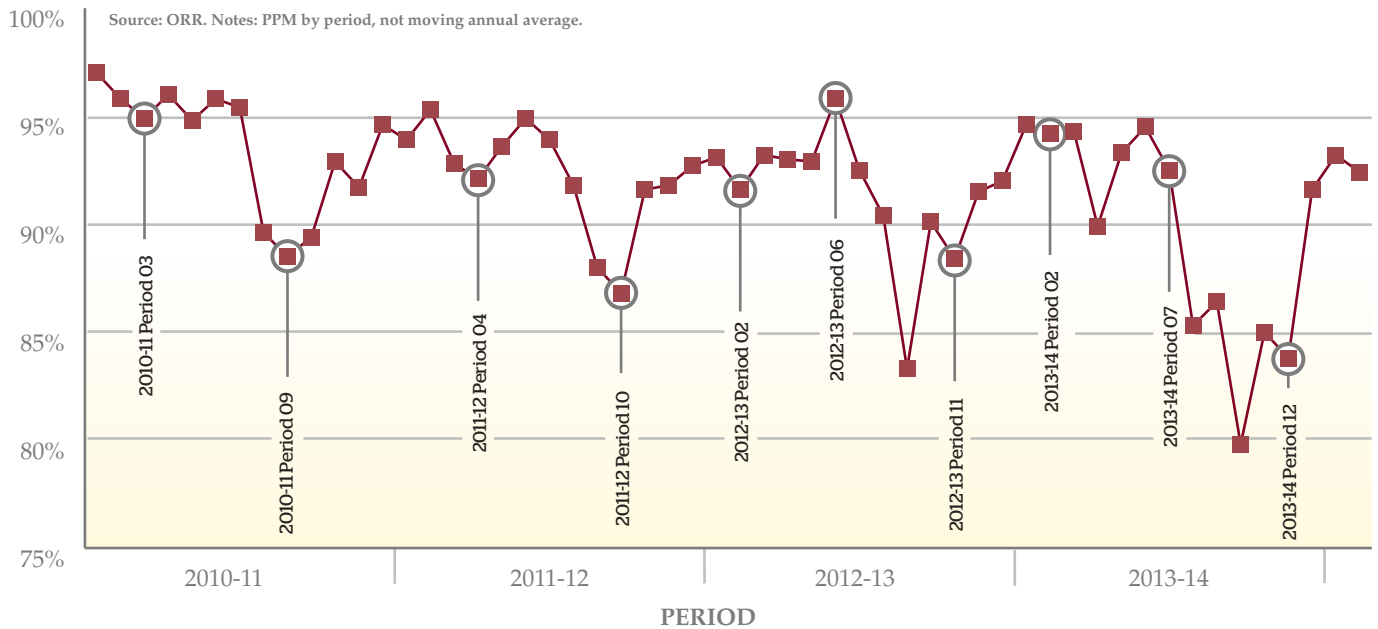
Money was pushed towards this problem, but the team also looked at how they might extend their four-hour windows. The easy option might have been to take out the last train of the night, the 0105 from Waterloo. But this is often a 12-car train, and it's often full and standing. "You can't put that number of people on buses," Shoveller remarks. He's right. But the problem remains.

Even if that train didn't run, or if it ran a diesel, the problem remains. As Shoveller notes: "What about the empty stocks that arrive into Waterloo up until about 0100 and berth in Waterloo overnight? Where do they go? Wimbledon is full. Guildford's full. Woking's full. Basingstoke's full. They *have* to come to Waterloo. So we then understood that it wasn't this simple thing of cancelling a few trains to solve this problem and make four hours into six hours.

"The thing is so constrained that Waterloo is actually an enormous carriage-servicing base overnight. If the empty stock can't get in from Epsom and other locations, where do they go? Because there's nowhere else to take them, and then there's the train crew to get in."

"Perhaps we haven't built as many carriage sidings as we should have done. Perhaps we never understood that we needed carriage sidings. Was it the case that we couldn't be bothered to build carriage sidings? No, it wasn't. Was it the case that we didn't understand

SWT punctuality



that that was our root cause of a big problem? Yes, it was. So, we're building lots of carriage sidings. Does that save us money now? No. Does that help the train service tonight? No. Does that mean that we can start putting the right measures in place for the future? Absolutely!"

Shoveller paints a picture of years of neglect. Perhaps not deliberate neglect, but neglect all the same. And fixing this backlog is neither easy nor quick, as Railtrack, the Strategic Rail Authority and Network Rail all subsequently discovered with the West Coast Main Line over a decade ago.

Waterloo does not have easy alternatives, as the WCML had, with trains able to divert into St Pancras instead of Euston or take different routes into Manchester. The South Western terminus might be able to take First Great Western's HSTs diverted from Paddington, to allow Reading to be rebuilt, but we're not going to see third-rail Class 444 Desiros resting on the blocks in Brunel's trainshed.

TRACK RENEWALS

In any discussion about the Alliance, it doesn't take long before the subject of Waterloo starts to dominate.

It's already been the subject of an aborted attempt to improve capacity by making Platforms 1-4 longer. And the cancellation of this project came with a sting in its tail, because it had also been planned to renew ageing track in the platforms. This was not done, but because Shoveller sits over a combined SWT-NR organisation, he was able to see the renewals work done by his maintenance teams last Christmas.

The ability to knit both sides together has brought other benefits. Alliance Operations Director Mark Steward says that 34 ballast trains ran last year with SWT drivers that would otherwise have been cancelled. SWT drivers also crew MPVs that work railhead treatment trains (RHITs) in the autumn. Crewing MPVs means the Alliance can conduct and control light maintenance work such as recovery of scrap rail.

"Our railway is at the leading edge of overcrowding and capacity challenges. Inevitably the more passengers we carry, the more sub-threshold delay matters."

Other projects have gained from both sides working together for their combined financial benefit.

Shoveller lists key points work at Guildford and Southampton. At both places, it proved difficult to find sufficient access for the work. It was also difficult to find rail cranes suitable for the work, because they were in demand elsewhere. The solution that Shoveller's team found was to close both station car parks and use them as construction bases.

He says: "We enabled work that wouldn't previously have happened, because I could look at it from a TOC perspective and say 'well, even though this is going to inconvenience my passengers, >



How do you fix a problem like Waterloo?

London Waterloo lies at the heart of everything the NR-SWT Alliance does. The man charged with developing the plan to improve its capacity is Alliance Fleet Director Christian Roth.

He joined SWT in 2008, but in the Alliance's early days Tim Shoveller asked him to look at Waterloo and increase its capacity. He inherited the aborted Network Rail project that had £63 million of funding attached to it, but this was not enough to take the more wide-ranging approach that Roth argues is needed.

For a start, he recalls, making Platforms 1-4 longer would have entailed closing Platforms 1-14 because of the station's signalling arrangements. Lengthening work would have taken three weeks.

By the time the project was cancelled in late 2011, it was too late to develop an alternative for Control Period 5 (which started in April 2014 and runs to March 2019).

Instead, eyes turned towards the International station that Eurostar vacated fully seven years ago. This has long platforms but was designed for only five trains per hour, serving Paris and Brussels. It's not connected in any useful way to the South West Main Line, although there are connections to the Windsor Lines.

The first step, explains Roth, is to improve that connection and then use Waterloo International for Windsor, Reading and Hounslow trains. This will give more capacity during subsequent work on Platforms 1-4 (which can currently only cope with eight-car trains). So Roth contends that using International is "not a nice-to-have, but a fundamental". He has ambitions to be serving the old International terminus with 20 trains per hour, all from the Windsor Lines.

The advantage of bringing International into domestic service outweighs the disadvantages that will come from having to remove the scissors crossovers immediately beyond the ramps of Platforms 1-4, forcing trains to switch lines closer to Vauxhall.

Roth reckons that the ten-car railway that will result from this Waterloo work should be sufficient until Crossrail 2 arrives in 2035. (Crossrail 2 is what was once known as Chelsea-Hackney, but has since been expanded to become a wider northeast-southwest link.)

However, making the station fit for longer trains is only part of the problem. It must also be fit for the subsequent higher number of passengers. Roth is looking to have the exit serving the Jubilee Line upgraded from two pairs of escalators to three. These crowds will then be whisked away by Jubilee Line services running at 30 trains per hour rather than 24.

Roth also notes Waterloo's significant property potential. In a change from usual railway plans of building on top of stations, in Waterloo's case the potential is downstairs, where there is space several times larger than Trafalgar Square. This could lead to the station's concourse being placed downstairs.

The Alliance also serves other London Underground interchange points. At Vauxhall, passengers can change onto the Victoria Line. Here the constraint is not the train services, but the station's ability to cope with passengers. Roth explains that a platform at which an eight-car train has called only just clears before the next eight-car arrives. Making trains longer, to ten-car, will demand a third staircase. Roth injects intriguing context into the ten-car programme for the Windsor Lines by noting that it will bring more passengers into London than the West Coast Main Line.

Beneath Vauxhall, the Victoria Line's current 33 trains per hour (tph) should increase to 36 once Victoria Station's LU rebuild is complete, before rising potentially to 40tph.

For the main lines, Roth wants to see frequencies increase from 24tph to 26, which he reckons is possible using an upgraded Driver Advisory System (DAS) known as Connected DAS.

The increase will also need more trains, and by late August or early September he was looking to have Department for Transport and supplier agreement in place, following an earlier



procurement competition. This should give the Alliance more five-car trains, and allow it to shift Class 450s currently used on London area trains to strengthen main line services such as Basingstoke or Haslemere.

It is these main line trains that provide so much of the Alliance's revenue, although Roth ruefully admits that improvements somewhat illogically had to start with Waterloo and the Windsors before moving on to the more lucrative services, which you'd normally deal with first.

Removing the now redundant and unhelpful International Flyover is likely to be high on his list of changes. It's not used, and serves no potential purpose. It does, however, provide a constraint approaching Waterloo, because the four lines from Wimbledon and four lines from Windsor that become eight lines at Clapham Junction are narrowed to seven passing the flyover.

Reinstating Platform 1 at Queenstown Road helps, as does bringing the current Windsor Reversible Line into better use. Changes to Panel 1 in Wimbledon signal box, to split its operations into two, increase flexibility at Waterloo station so that either Platforms 1-6 or 7-14 can be taken out of use while the others remain working.

Currently 15 of Waterloo's 20 platforms host stock stabled overnight. Increasing the number of platforms and signalling flexibility all point towards easier track maintenance and renewals, argues Roth.



The complex arrangement of tracks leaving Waterloo station. The International platforms (on the left of the image) were still in use by Eurostar on November 13 2007. These platforms are now being converted for domestic use. PAUL BIGLAND.

➤ there's nothing more inconvenient than having unreliable switches and crossings at places like Guildford and Southampton'.

"The Guildford example wasn't so much for SWT passengers, it was to allow the Southern ten-car programme to be completed. So the Alliance, even though it's very much concentrated on SWT and NR, in the Guildford example did that work and inconvenienced SWT passengers by closing the car park (and train crew, by the way, because we closed the train crew car park - that's really radical, and has real logistical issues, where do you park at three o'clock in the morning?) for the benefit of the Southern train-lengthening programme."

Ageing track remains a worsening problem across Shoveller's patch, so much so that in summer 2013 the route between Overton and Salisbury (on the diesel route to Exeter) had speed restrictions placed on it to reduce the risk of buckling, even under moderate temperatures.

Shoveller takes up the story: "I didn't see track like that when I was at West Coast or East Midlands, so why are we in this position? There's a long and complicated view of why, but 'we are where we are'. So, for the first time and with the fantastic support of NR's high-output team, we brought in the High Output Renewals Train - it's never worked on the Southern Region before, at all, ever. It wasn't even gauge-cleared, because it can't work on the third rail. But Overton to Whitchurch isn't third rail, so - a hop, skip and a jump - let's put it to work.

"With the fantastic support of that team we used it, and we broke a huge number of records both in terms of output and efficiency, because we built the train plan around the renewals train. This allowed us to do some quite radical things with the service, but what it meant was some 53km [33 miles] of track, that last year had heat-related speed restrictions on it, and caused delays to all of our passengers, has this year been replaced.

"There's no way we could ever have done that with conventional methods. If you'd just taken a conventional approach between a TOC and a Route, you would never have done it. Because, as much as anything, had the case been made, I'm sure any TOC would have acted reasonably, but I'm not sure we would have understood the root-cause of the problem.

"Again, funnily enough, it comes back to car parks. One of the key things to making the machine efficient, apart from rebuilding the train plan, was in identifying what some of the key risks to the programme were. One of the key things was making sure that the people working the train had somewhere to park their cars. ➤

"Clearly this works, and will work more powerfully where there is a high correlation between a dominant operator and a Route."

“This railway has a great ability to do a lot of its financing itself, or to find ways of financing itself.”

► Without that, we’d have lost productivity and we’d have lost jobs. As it was, the thing operated perfectly. It’s out again doing ballast cleaning with that bit of track, and it is breaking all sorts of records.”

Now he leans forward across the table: “I have to tell you this is a bit of a game, because what I really want is the high-output train to do the third rail.”

This, he argues, will be a game-changer. But it’s not without challenges. Third rail sleepers are longer than normal, because they need to carry that extra rail. Then there are all the hefty cables that link sections of conductor rail. And impedance bonds. All must be removed before track renewal work and replaced afterwards.

The Alliance has spent £200,000 modifying the train to cope with longer sleepers. But it acknowledges there are still problems with all the track cables and this has still to be worked on.

“Somebody has to come in and take them off and then put them back before trains can run again. Unless we coast, that is, which I’m still working on,” says Shoveller. That’s an interesting possibility. It’s been done by Virgin with 25kV OLE, but never on the third rail.

So, the result? “In week 29 [mid-October] we’re going to do the first high-output track renewal with third rail as an experiment near Shawford. And once we’ve done that, later on this year we’re going to replace five miles of track in each direction at Wool, which is from the 1950s, it’s life-expired, and it has a speed restriction on it. We’re going to replace it efficiently overnight, using the machine.

“That’s a really, really big step, because once we can do that I can get to grips with some of the backlog of renewals at places like Woking and the main lines to Basingstoke, where a lot of the track was relaid in the mid-1960s for Bournemouth electrification and now needs to be done again - both track *and* the ballast.

“This allows us to do it in an efficient way. Because, frankly, closing the railway for 27 hours and doing a couple of hundred yards on a Sunday with JCBs is crap, isn’t it? This has to be done overnight and until we have the high-output train we can’t do it overnight. This at last gives us that opportunity.”

REDUCING DELAYS

Shoveller shifts to a different topic... delays. More precisely, ‘sub-threshold’ delays. He reckons it is the most important thing he’s learned since heading the Alliance and it’s something he feels

Clapham Junction: busier than ever

Famously, it’s the busiest station in Britain, used by three operators - South West Trains, Southern and London Overground. SWT runs through the middle, with Southern on the southern side running Victoria to Brighton, and London Overground on the northern side with its orbital trains.

The station has recently received improvements in the form of lifts, as part of the Department for Transport’s ‘Access for All’ initiative.

Alliance Managing Director Tim Shoveller contends that welcome though those improvements are, they show just why a wider, more holistic, view must be taken.

The lifts allow more bikes, prams and wheelchairs to reach the platforms. However, the curving platforms make boarding difficult, leading to increased dwell times.

To resolve this, he’s put in more platform staff, adding to the overall headcount and running contrary to a widely held perception that alliancing would reduce staff numbers (by reducing ‘man marking’ across the two constituent organisations).

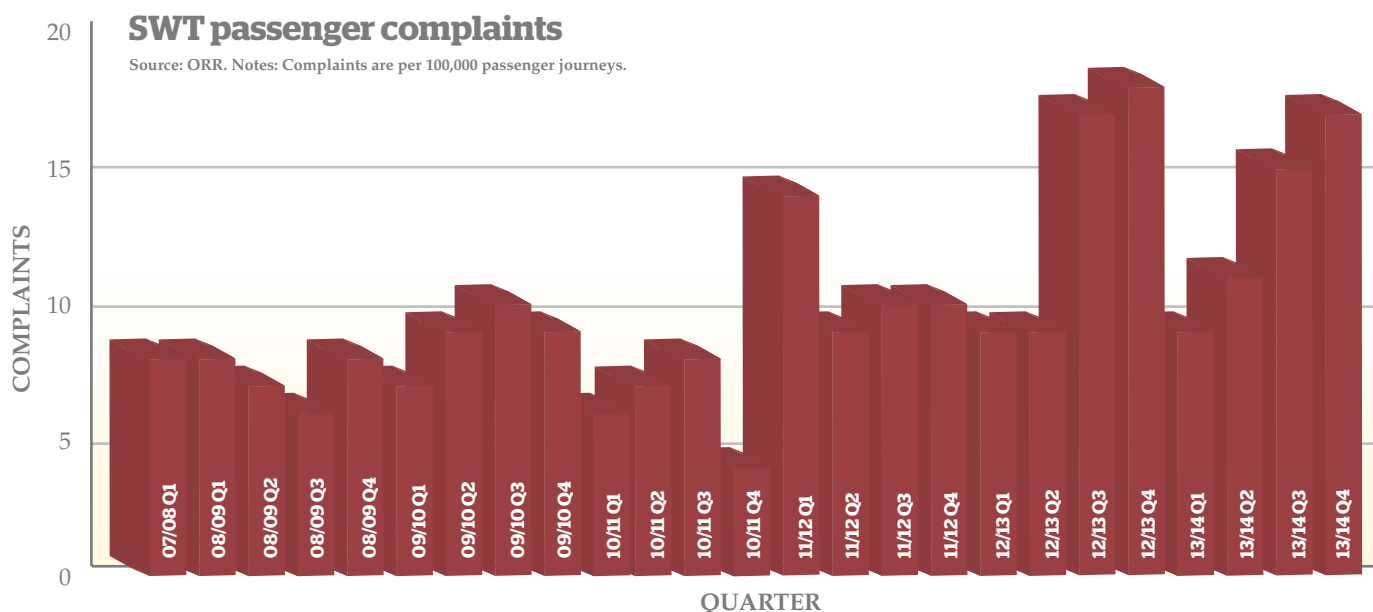
For a longer-term answer, Shoveller looks towards current work to rebuild Reading, and suggests that Clapham Junction needs a similar rebuilding plan.

that is important across the whole railway industry.

He ropes Finance Director Andy West into the story: “Andy’s been finance director since SWT was created, and he was here under British Rail. He desegregated Network SouthEast and has just put it back together again financially. He’s learned things about this business he didn’t know. He never knew that about 60%-70% of all our delay is never recorded because it’s sub-threshold. It’s below the contractual regime. He didn’t know that.

“For all these years people have been talking about business cases that was just about delays generated of three minutes or above. Well, the vast majority of the delay that we have never actually generates a Schedule 8 financial issue. And yet how often do you hear the regulator talking about sub-threshold delays? How often do TOCs and NR talk about sub-threshold delay?”

Shoveller reacts sharply to a suggestion that these delays might not matter: “My God! They matter more than anything else! In some respects they’re more important than the threshold delays, because if we have 7,000 minutes of sub-threshold delays, and let’s say I’ve got 2,000 minutes of recorded delay that we analyse to death and argue about whether it’s a Network Rail delay or an SWT delay,





below we still have 7,000 minutes of delay that I don't know *who* it belongs to!

"Those delays occur every day, so actually if we're not managing those delays how can we expect the train service to run properly?"

"The principle of sub-threshold is hugely important to the industry. It's more important than we've previously understood and recognised. So that's a learning. We didn't know that. The people in the Route and the people in the TOC did not know that. There's no contractual regime that applies to it. There's no money that applies to it. It isn't that no one cared, it's just that it wasn't a priority.

"So what we've been able to do is understand - and it's a bigger issue for us than it is for many TOCs, and that is very clearly because of the fact that our railway is at the leading edge of overcrowding and capacity challenges.

"Inevitably the more passengers we carry, the more sub-threshold delay matters. The more we put in lifts, the more prams and buggies get on the trains, the more delays we'll get because, actually, it's still an effort to get from the platform onto the train. You can get to the platform OK, but if you don't make it easier to get on the train because there are no ramps, then we haven't thought that all the way through. We've thought 'great, we want to do lifts on platforms', but how do you get onto the train? How do you do that at a place like Clapham Junction?"

Once more in his stride, he continues: "Because we can then see the factual issues, we can then take actions and measures that we would never otherwise have been able to do. Not least because with the financials in the Alliance aligned, then it doesn't matter who creates the delay, it costs me money. Even if there's no Schedule 8 regime against it, it still costs me money because it's passenger inconvenience.

"So you don't think of it in terms of what's the regulatory issue or what's the contractual issue, because actually the issue is the bloody revenue. Our revenue this year is nearly a billion pounds. If I've got a lot of delays, I'm not growing that revenue. Or the revenue is constrained because of the train service.

"So it matters less what the regime says or what the contracts say,

"I want NR teams to be able to experience what they provide. And to feel the pain when they go into London and it doesn't work."

because the revenue is the true indicator of success."

Shoveller has opened a wider debate here. A large part of the railway's regulatory regime is in place to act as a proxy for a market, or to counter a view that a railway is a monopoly supplier.

However, he argues: "The regimes are there to act as a proxy for the market where no true market exists, but we have a true market and it's called a billion pounds worth of passengers. We can see very clearly when we do well and when we don't. When we have a problem in the morning peak, then we don't just think about the Schedule 8, we also think about how much money that *didn't* come to our ticket offices." ▶

More staff is the key for better service

The Alliance's extra staff has not just come from having more platform staff to despatch trains promptly. It also comes from a conscious effort to shift towards more 'full crew working', according to Operations Director Mark Steward.

This entails a driver and guard team remaining together throughout their shift. SWT had moved away from this, because guards' conditions made them more flexible than drivers. However, Steward argues that as the railway became more congested and recovery became harder, this split was causing more problems than it solved.

Steward admits he had to employ more guards to allow this switch back, so that on Mondays to Fridays full crew working is now 83% (having been 38%). He reckons there has been a "step-change in our ability to recover from delays" since the change last December.

Without an effective IT system capable of managing crews, he's also had to take on more train crew managers, all in the name of reacting more quickly to problems. "Our quick 'flash-to-bang' needs resources," he argues.

The South Western Railway is instantaneous, he reckons. Other railways might man to their core requirements and then use on-call staff to cope with incidents because they have time to call those staff. "Our railway suffers with that," he says. "Our trains queue and stack up."

To illustrate the point, he says that if a train has to be 'talked past' a failed signal in the morning peak, then the service pattern overall has to be thinned out, such is the speed at which congestion builds.

THERE'S MORE TO LEARN

► Unlike other Network Rail staff, those working for the Alliance receive free travel. Since privatisation, this facility has been restricted to train operating company staff or those who had been working for British Rail. Shoveller's reasoning is simple: "I want NR teams to be able to experience what they provide. And to feel the pain when they go into London and it doesn't work."

Staff travel for NR people is a topic that not even the trade unions have picked up, but Shoveller thinks it is something that should be examined, because it encourages railway staff to go out and use and experience their railway.

As he talks about the people who have made the Alliance work, he admits he was more bullish about the prospect of success than Sir David Higgins, who was NR's chief executive when the Alliance was created. Higgins reckoned it would take three years. Shoveller admits: "I thought it was going to take six months. It's been going for two years, so David's clearly going to be nearer to the mark than I was."

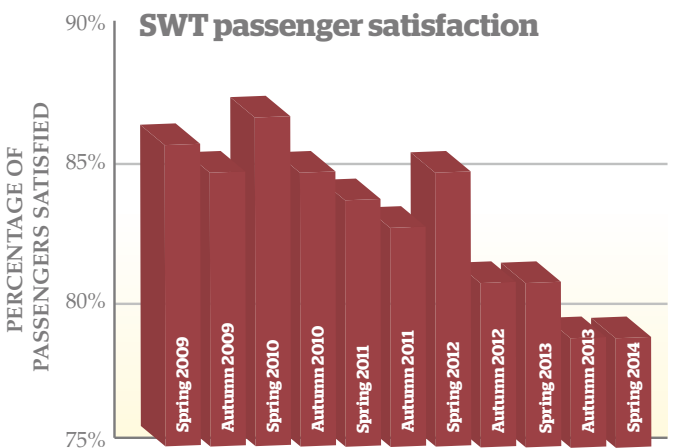
"Richard Brown told me that when Eurostar came together it took quite a long time before they really saw the benefits. So I think it's too early to judge. I think the indications are that there have been huge strides in our knowledge and understanding, to the great benefit of being able to focus our attention on the things that matter. That we've made something that many people thought would never work, because of the complexities, *work*."

"Even though our performance has been poor we've not had Arriva or First Great Western or Freightliner or Southern accusing us of regulating trains inappropriately. There's not been a single complaint. Even though our delivery to them has been well below what we promised. As it has to SWT passengers."

"But that's not to say other places are having a party. I passionately believe that 'we are where we are', and not worse, because of the measures we've taken. Even despite those issues, even though we haven't delivered what we said we would in terms of performance, we're very grateful for the support we've had from the other owning groups. We've not had allegations of inappropriate behaviour or anything like that, which is what people perceived was going to happen. It hasn't. We've put a lot of work into making sure it hasn't. So, absolutely despite those things, the model is great."

Two years into the SWT-NR Alliance, it remains unique. The term 'alliance' is common, and is banded about to describe closer working between NR and train operators or NR and its engineering contractors. But there's been nothing else on the scale of SWT's creation.

Says Shoveller: "Clearly this works, and will work more powerfully where there is a high correlation between a dominant operator and a Route. Where the type of railway we are running and the flows that we are running have a high degree of synergy, it will work better."



Source: Passenger Focus National Rail Passenger Survey

"Would it work on the West Coast Main Line? It clearly wouldn't. Or on East Midlands."

"But that doesn't mean the principles that we're talking about - the maturity of working together, the understanding of our system, that we recognise our understanding of our system is imperfect - and therefore we seek to learn and understand more. The collaboration that is necessary to allow you to do stuff, even when the finances of the TOC or Route are different, does go on elsewhere in the country. But I think the message is that we have to do a lot more because there is real value in it."

Shoveller's Alliance is set to remain in place until 2019. For its remaining years, he's keen to see more flyovers built to ease the flow of trains. He's keen to see Waterloo fixed and the "unhelpful legacy" of Eurostar undone. And he justifies spending by saying that his railway makes money.

"Revenue is £1bn a year, so this isn't the same discussion you might have in other regional locations around the country, where there is a subsidy required to carry more passengers. This more than pays for itself. This is the only railway in the country that fully covers its costs. So it's not a matter of subsidy, it's about enablement."

Double-deck trains to ease overcrowding?

Double-deck trains could be considered for the South West Main Line, as the South West Trains-Network Rail Alliance looks at various options to improve capacity on the busy network.

Used widely in Europe, double-deck trains have not been seen on the main line in the UK since a unique fleet used on the Southern Region was withdrawn in 1971.

Tim Shoveller, chief executive for the SWT-NR Alliance, said on September 8: "There are step changes needed. What about double-deck trains? Network Rail can raise bridges, and they could run, potentially, to Basingstoke and meet the longer-distance trains."

"Why rule them out until a study is done? We have to explore it. Look back five or six years - Southampton has been bad for overcrowding. There has been no solution suggested."

Shoveller suggested that the trains would, if introduced, run to Basingstoke and interchange with direct trains serving destinations further afield.

This need for additional capacity is despite the SWT-NR Alliance spending more than £500 million on new trains, longer platforms and flyovers. Capacity is still needed, and double-deck trains could well be the answer.

They were first introduced in the UK in 1949. Like today, they were born out of necessity as an answer to overcrowding.

Whereas modern double-deck trains are likely to serve London Waterloo, the original trains ran to Charing Cross and Cannon Street. One newspaper at the time described the 1745 to Bexleyheath as the 'Sardine Special', with 26 passengers standing in a guard's compartment. A decision was therefore made to introduce new double-deck trains. These were designed by SR CME Oliver Bulleid, and built at Eastleigh Works.

Each set contained 24 low-level and 22 high-level compartments, seating 508 people. There were an additional 44 tip-up seats. They ran in pairs, so each train had 1,104 seats per eight-coach train. They were limited to running to Gravesend Central.

Problems with their introduction in November 1949 led to a decision made 13 months later that no more would be constructed. In actuality, it was discovered that passengers had less room and less comfortable seats. The trains were also slow in dwell times, as there was only one door per 22 seats instead of the one door per ten to 12 seats on other suburban stock at the time.

There was the possibility of running ten-coach trains, but this was ruled out because of the expensive programme required of extending platforms. That is a project now under way on the SWT-NR Alliance network.

Brian Morrison travelled on the trains every day, on his way to

He argues that the financial figures would still look good even if £5bn had to be spent on major improvements.

"£5bn is the cost of a new line from Hampton Court Junction all the way in to Waterloo. I don't think that's going to happen, but even if we said it was going to, how are we going to build it? It's difficult to change a sleeper, let alone build a new line alongside the existing route. So I don't think we want £5bn.

"I think we want - what we need - is the right strategic interventions. It's about flyovers in the right places, hardening the asset to ensure it never fails, track as good as it is on the West Coast. It is about making sure Clapham Junction is rebuilt like Reading. Clapham Junction is incredibly busy and desperately needs to be rebuilt and yet it's not on anyone's list."

Challenged that such a rebuild could well consume £5bn, he retorts: "I could see it making what it costs. The land rights around there are worth a fortune. So I don't have a begging bowl saying 'can I have more, sir'. This railway has a great ability to do a lot of its financing itself, or to find ways of financing itself. The Clapham example is a great one. What it needs is a plan, and that's what we're bringing."

The jury remains out on the Alliance's achievements and prospects. The figures in isolation suggest it's not working, but Shoveller's arguments that the rot set in before the Alliance arrived holds water.

He reckons he's putting things right, and dealing with the basics that underpin good performance. But success may create its own problems. Push performance back above 90% and increase passenger satisfaction, and (given recent history) the result is likely to be a further increase in passenger numbers.

Long-term salvation should come with Crossrail 2. This £12bn project plans a new southwest to northeast line under London that will gather services from Twickenham, Shepperton, Hampton Court, Chessington South and Epsom into a tunnel portal near Wimbledon, and then run via Tottenham Court Road (for Crossrail) and King's Cross/St Pancras before dividing for Alexandra Palace and Cheshunt.

By any measure that's a major strategic intervention of the sort not seen on the Waterloo route for decades. However, it's at least 20 years away. Meanwhile, Shoveller and his team, and their successors, will need to be at the top of their game to keep their complex and crowded railway running. ■



(Above) A Class 4DD EMU in Ward's Scrapyard, Silvertown (East London) on September 19 1984. It was later saved from scrapping, and was to be seen at the Northamptonshire Ironstone Railway. (Right) The 0830 Crayford-Cannon Street via Sidcup approaches its destination on August 23 1951, formed of Class 4DD electric multiple units. BOTH PHOTOGRAPHS: BRIAN MORRISON.



work as a bank manager in London.

He recalls: "It was cramped. There was ventilation upstairs, but it was not good. I got on at Sidcup and the seats were invariably all taken downstairs by the station before.

"Upstairs, they were all compartments, too. There were two distinct floors and you used to go through the carriage door and there were two seats on the left and a small staircase, which had

maybe three stairs which took you upstairs.

"The units were not generally popular with commuters, as the downstairs seating was cramped and the upstairs seating - as well as being cramped - was only ventilated from the lower deck compartments. And in those days smoking was not prohibited!

"I didn't like them, they were horrible."

Expert comment: Gordon Pettitt, General Manager, Southern Region from 1985-1990

I am not surprised that Tim Shoveller has not ruled out the use of double-deck trains.

The peak demand for capacity into Waterloo will soon exceed that possible with 12-car trains on main line routes and ten-car trains on inner suburban routes. To enhance capacity further, additional tracks are a possibility but clearly expensive. So it is important to be able to compare those costs with, for instance, increasing the capacity of the trains.

In Europe and beyond, double-deck trains are commonly used to provide more capacity, but in the UK our more limited loading gauge has so far prevented the use of this option.

In 1949 the Southern Region of BR built two four-car double-deck trains for use on lines between Dartford and Charing Cross. These two units remained in service for over 20 years, but were not a success because the additional time taken in joining and

alighting used too much line capacity.

The key to the wide use of modern double-deck trains lies in the use of wide one-third two-third sliding doors on each coach, to enable fast joining and alighting. It follows from this that longer vehicles of 27 metres are a key design feature. This allows as much space as possible between the bogies for a lower deck.

This length, longer than currently used in the UK, may be possible on selected routes on SWT. And this, combined with smaller wheels, may lead to vehicles requiring lower infrastructure costs than for providing additional tracks.

Tim Shoveller is quite right to explore all the options for providing extra capacity, and the work involved is a good example of the benefits arising from the alliance type of organisation.



A solid platform for the future?



David Simpson

Operations and infrastructure adviser

Tim Shoveller makes a strong, passionate and eloquent case for the benefits that the alliance in Wessex is delivering through closer working relationships.

'Alliance' is a word that has been bandied frequently around the industry in recent years - prefaced by words such as 'deep', 'framework', 'light touch', 'informal', and many more.

If you google the word 'alliance' there are 11.4 million potential responses. For me, two definitions stand out: "a union or association formed for mutual benefit", and "a relationship based on similarity of interests". These phrases seem to describe accurately how Tim's patch is now being run to tackle the challenges of running and growing a railway which (as he puts it) is bursting at the seams - by making sure everyone involved has a very clear understanding of exactly what needs doing, and why, and then delivering the solutions.

It is also good to see the amount of innovation that this approach is bringing to old problems that were previously 'too difficult' to tackle.

In many ways it is a sad indictment of the industry that it takes people such as Tim 'short circuiting' normal processes to make the right things happen at the pace they need to.

Why is something as basic as "working together to solve the true root causes of problems" seen as something new and different? Collectively we need to work out why the existing regulatory and contractual processes stop this from being the normal way of doing things - and make it the norm!

How do we make what is happening in Wessex have the same impact elsewhere? Can we transplant that new DNA of how we work together to other parts of the network?

I firmly believe we can. Whether you are running a railway like Tim's, which pays for itself and so can justify ambitious investment for growth, a multi-operator main line route, or a highly subsidised rural lifeline route, the same principles of working together must surely be better than the 'constructive tension' and 'mutual suspicion' that is so often seen.

Ultimately there has to be mutual benefit (nobody will accept losing out financially), but taking the whole system view of problems - and opportunities - has to be the best approach. That is how it was possible to electrify the Paisley Canal line in Scotland in 44 days, for less than half the original cost estimate.

The essential ingredients were clear objectives for all involved, strong and aligned leadership, clear communications and understanding of everyone's needs, and a culture of challenging the norm to find safer, quicker, cheaper ways of doing things. The result? A better service for passengers.

That approach seems to me to sum up what is happening in Wessex - and what ought to be spreading around the rest of the network. It can be as effective at Georgemas Junction as it clearly will be at Clapham Junction!

■ *David Simpson was formerly Network Rail Route Managing Director for Scotland.*



Chris Green

Former Managing Director, Network SouthEast

Tim Shoveller leaves us in no doubt that rail managers operate complex, real-time production lines where the smallest error can escalate into a customer service crisis. It is therefore a no-brainer that the industry is likely to perform best with a simple, cohesive organisation.

A railway production line is all about teamwork in which the operator and the fleet, track, signalling and electric supply engineers all have to co-operate to deliver a successful public timetable. Every one of these people is dependent on the other to deliver their timetable, their maintenance or their emergency repairs.

So, is the railway likely to perform better if these individual teams are brought together to run a network of services around one table - or do we really believe that it is better to return them to a silo management where they work for different bosses with conflicting objectives, budgets and politics?

I was MD InterCity in 1992 when BR introduced an 'alliance-style' 'Organising for Quality' (OforQ) structure, and I can vouch that this was the most effective organisation that I have experienced for running a railway.

It abolished every possible silo and brought all the people needed to make the InterCity network work into a single structure. Managers with common objectives sat around the same Board table every month and hammered out ways of making the business perform better.

The exciting thing was that engineers started making valuable contributions to timetabling and marketing, while operators offered new ideas for getting the maintenance done faster. It also demonstrated that if the top team work together, then the rest will follow. The result was the highest performance InterCity ever achieved.

South West Trains is clearly moving in the same direction - and I would counsel it not to be too impatient for the performance indicators to improve. I inherited a stable and well-maintained railway at InterCity, but SWT has clearly been hampered by a backlog in asset renewals in the very London suburban area where there is no space to recover from minor delays.

The important thing is that the Alliance is seeking solutions to its problems as a single team, rather than lobbing blame - and compensation claims - at each other from afar. It has already demonstrated its ability to improve engineering access, to undertake impressive mileages of track renewal, and to lengthen platforms without delaying trains.

Network Rail and Stagecoach are to be congratulated on creating the SWT Alliance. I, for one, have every faith that they will be rewarded with improved performance (both operational and financial) before long. I also believe that performance would be a lot worse under the old structure.

Sir David Higgins was wise to predict that it would take at least three years to see the results. Let's hope that his successor, Mark Carne, will take a similar view, and start planning the rollout of further Alliances on the more self-contained networks, such as neighbouring Southeastern as well as Scotland, Wales and Anglia. Teamwork beats Silos every time!

Long after he left office, John Major was heard to say that he had come to think that he should have been much firmer in advancing his ideas for rail privatisation.

He had advocated a small number of vertically integrated companies, much as Japan had created in 1987. But he was up against an unholy alliance of civil servants and aviation lawyers - the former were deeply suspicious of the private sector, and the latter were intent on jobs for the(ir) boys.

Neither understood, or cared, that a railway is a system - that is to say, an entity with many interdependent components. They completely failed to understand that unless you manage it as one entity, you will get sub-optimal performance and greater costs.

The British Railways Board did understand this, but failed entirely to engage with politicians to explain this basic concept.

None of them seemed to care about the lot of the passenger.

As if this wasn't bad enough, the newly created Railtrack set about systematically destroying much of the corporate knowledge that BR had about its infrastructure. And for most of its existence, it didn't even have an Engineering Director! Furthermore, according to a Railtrack Director I spoke to in 1996, it also never had train performance on its board agenda.

Other things went wrong as well. The whole idea at privatisation was that the railways were in gentle decline and (the civil servants hoped) would quietly expire before too long. Some of us realised that this was complete nonsense, and staked our houses on the notion that if you provided a few simple things that passengers might value, you could get lots more of them.



Adrian Shooter

Former Chairman & MD, Chiltern Railways

As we know, this is just what has happened... in spades.

No wonder, then, that Tim Shoveller has inherited such a mess. I have had the privilege of seeing (a little) behind the scenes, and I have been delighted to see many amazing out-breaks of pure common sense.

For me, one of the most significant things he has done is to give Network Rail staff free travel. Why do I think that? Because it sends out a really powerful signal that "we are all in one team". All the (bleeding obvious) ideas such as building carriage sidings, High Output Renewals Train, SWT drivers crewing engineering trains and a thousand other ideas will come if the boss sends the right signals. He is doing so.

Tim Shoveller is much to be applauded for the energy and persistence with which he has driven this project, and I find it absolutely astonishing that there are still apparently sensible people who cannot see the absolute necessity of extending this concept much more widely.

As Tim has admitted, it takes a little time to see the benefits. But without similar approaches elsewhere, we are condemned to (forever) having an expensive sub-optimal railway.



The High Output Track Renewals Train in use on a 16-mile section of the West of England Line. It is a third of a mile in length, and relays 700 yards of track each night. The Alliance lobbied hard for this train because it reduces disruption to services. PAUL CLIFTON.



A major crunch in rail finance is coming our way...

Trains are big chunky things. So you'd think that in any Government accounts, they would be classed as capital expenditure.

But you'd be wrong - when new trains are bought in the UK, they appear in the revenue account, in various ways. They either involve leasing costs paid by the Government, or extra subsidy/lower premiums to the train operating companies buying the trains. Either way, they end up in what is known as 'resource' or 'current' spending.

This matters. In Government finance, capital expenditure is good - it means investment in things that add to wealth. On the other hand, 'resource' or 'current' spending is seen as bad, involving longer-term commitments, and subsidy (another bad word).

Money markets are apparently fine with funding government debt for capital spending, but require less resource funding because this involves paying off debt. As a result of this, the present Government has set some stretching targets for reducing resource spending, which run into the next Parliament. The Opposition has agreed broadly to match these targets, although it may redefine what sits in each category.

Some areas of government spending are ring-fenced - in other words, they are exempt from these targets for reducing resource spending. Health is one such area. More controversially, the aid and development budget is also ring-fenced. Education is also semi ring-fenced.

TOUGHER TARGETS

This means that the rest of the Government, including transport, has even tougher reduction targets for resource funding. Transport is a minnow compared with the Department for Work & Pensions, for example, but it is nevertheless feeling increasing pressure to cut its resource budget. This covers not just rail, but also bus funding, road maintenance, Transport

for London's grant and some other local transport funding.

All of which means that increasingly there are beady eyes across Government looking at the railways, how much they cost, and how they are financed.

It doesn't help that the costs of some of the major enhancements (Great Western and Midland electrification projects, for example) are going up - one source has suggested that there is a £2 billion black hole in the Control Period 5 budget. Each new train order is going to face increasing resistance if trains continue to be financed through higher leasing charges/TOC subsidies.

"Increasingly there are beady eyes across Government looking at the railways, how much they cost, and how they are financed."

Further pressures come from the return of Network Rail to the Government's books, and the general agreement that the 'Network Rail credit card' (the addition of new infrastructure to the company's Regulatory Asset Base) is maxed out and that future investment will be financed by direct Government borrowing.

Up to now, politicians have been happy to sign off new rail investment because they aren't really paying for it - as one commentator said, it's like a mortgage in which no one pays even the interest. From now on, this will be on the books, so subject to greater scrutiny.

As the political skies darken, old rhetoric is appearing. On some calculations, by 2020 the Government will be spending £15bn a year on the railways, compared with £6bn on roads - hence comments such as "rail is only 3% of passenger journeys compared with 73% on roads" are being heard again.

This ignores passenger miles, where rail does much better, and overlooks that HS2 is a Government project.

So the railways increasingly will face a funding crunch, and it's really not clear how this will be addressed.

The optimists point to the new franchising process, and especially Thameslink and Essex Thameside, which have resulted in commitments to new train fleets and investments beyond those in existing plans. The hope is that the franchises currently out to bidding will produce similar results, although the pessimists say that this all still adds to resource funding in various ways, and point to slowing growth over much of the network.

FLEXIBLE TICKETS

All this is happening in an election year, which produces its own pressures. The fares issue, which (as ever in August when there is little domestic news) dominated the headlines, has reached the point where further above-inflation rises will be impossible to get through politically. There are just too many marginal seats where the local MP's majority is less than the number of annual season ticket holders.

The hope is that the move to smartcards and more flexible tickets for part-time workers might get more people travelling in the shoulder peak or off peak, but this is all untested and the South East Flexible Ticketing programme is in some difficulty.

There are also immediate pressures in the north of England. Here the Department for Transport has been consulting on the Trans-Pennine and Northern franchises, and asking people if they would trade off fares increases or service cuts for new trains. This has been met with outrage by many in the North, who already feel hard done by when they look at the investment in London and South East, in Crossrail, Thameslink, electrification, and so on.

Nominally the franchise replacement



One of First TransPennine Express' ten new Class 350s at Carlisle on July 11. Stephen Joseph is concerned that the railway faces a funding shortage for new train fleets in the future. PAUL BIGLAND/RAIL.

is being done jointly with the local authorities that have formed Rail North with the ambition of taking on the franchises, but behind the scenes there are disagreements in approach and philosophy.

DfT points to Northern's high subsidy, which it argues is caused by the lack of Driver Only Operation, stations that nobody uses, the very low fares in some places, and the free station car parking. On this view, combinations of fares rises and service cuts are needed to drive down the subsidy.

BETTER MANAGEMENT

The local authorities counter that much of this is based on assertion rather than evidence. Many of the little-used stations already have few trains serving them, so few cuts are possible. Driver Only Operation won't save that much because staff will still be needed to sell and check tickets on trains. Low fares reflect the lower wages and incomes in Northern cities.

They believe that even if the DfT got its way, the subsidy would not decline by much. Savings would amount to little, and there would be lost revenue from fewer people travelling.

Note the authorities aren't ducking the issue. They are prepared to take hard decisions if they have to, such as fares increases, but they believe that fares increases without replacement/extra trains, which means that people pay more for a worse service, are politically undeliverable.

More fundamentally, they argue that a new approach, based on investment and better management, is the only way to really reduce the subsidy.

However, in this they are running up not only against the spending limits already mentioned, but also rail modelling such as the Passenger Demand Forecasting Handbook, which isn't good at looking at measures such as whole network improvements, smart tickets or service upgrades.

DfT officials are more remote from the politics than the local authorities. The outcome of the next General Election will

depend on a string of marginal seats across the North and the Midlands, and fares rises, service cuts and Pacers continuing to infinity and beyond will play out really badly here. And the final Invitations To Tender for Northern and TPE are due around December, just five months before the election.

There is a wider point. All the political parties are talking up devolution to cities. Chancellor George Osborne is talking about "a Northern powerhouse" and offering funding and powers to the cities. Rail is set to be key to this - Rail North points to the success Merseytravel has made of Merseyrail, and says it can do the same with Northern. If DfT is seen to be standing in the way, the northern authorities have a very strong hand.

So rail politics are set to get (even more) interesting - a finance crunch, local authorities flexing their muscles, and a General Election looming.

Watch this space! ■

"The outcome of the next General Election will depend on a string of marginal seats across the North and the Midlands, and fares rises, service cuts and Pacers continuing to infinity and beyond will play out really badly here."

About the author

Stephen Joseph is the chief executive of Campaign for Better Transport. He has also been a member of various government advisory groups.



Franchise holders are now partners, says DfT

MIKE JONES examines the latest changes to rail franchising, and argues that passenger benefits and risk transfer are now given real priority

The new team at the Department for Transport, led by Rail Executive Director General Claire Moriarty and Franchising Director Peter Wilkinson, has finally answered the long-asked question of what rail franchising is for.

It has previously been seen variously as: a form of passenger taxation presented in a requirement to maximise premium income; a barrier to competition in the market by objecting to open access operators; and an obstacle in the way of improving journey experience by the micro-management of everything from the timetable to rolling stock provision.

At last we have the determination that franchise contracts must work for the benefit of passengers, and that the assessment of bids and weighting of scores will be focused on that objective, rather than the narrow measure of financial benefit that has been the sole arbiter in the past.

There is also the mature understanding that a level of profit must be earned by private companies to meet their cost of capital. This cannot be avoided if there is to be a transfer of risk that genuinely protects the taxpayer if delivery of the franchise business plan fails.

The meltdown that followed the weaknesses evident in the bidding process for the West Coast Main Line contract in 2012 cannot be ignored. This was entirely a problem of the DfT's own making, as it was the way that officials chose to implement departmental cost savings that led to the abolition of a rail-specific organisation, with responsibilities for industry functions spread around the leadership team. There was also an aversion to hiring consultancy expertise to fill gaps in the skills and experience of the available civil servants.

As a result, two inquiries/reviews were conducted by Sam Laidlaw and Richard Brown. The former concluded that the way the DfT was organised was not fit for purpose in the management of rail functions and the franchising process, and that a structure was needed to provide the expertise necessary to achieve Government objectives.

Richard Brown's review looked to the future, and what needed to be done to allow the franchise system to work for the benefit of industry stakeholders - including taxpayers, train operators,

infrastructure providers and contractors, and (most importantly of all) passengers.

At the heart of recommendations was the need to restore a dedicated Rail Group within the DfT, and appoint an executive responsible for defining the franchising process and managing its implementation.

Peter Wilkinson was appointed to this role. One of the early findings was that the programme of contract renewals could not be managed with the available resources, and that to be realistic it was necessary to restrict refranchising activity to three competitions annually. As a result, a schedule was established that included Direct Awards to extend existing franchises - one such is the West Coast route, where Virgin will now continue to operate services until 2017.

RAIL DELIVERY AUTHORITY

The Government intends to go further, by establishing a new Rail Delivery Authority (RDA). This is a response to the realisation that a situation had been allowed to develop whereby civil servants lacked the necessary railway and financial knowledge to provide industry leadership and conduct contract procurement of a specialist nature.

It also recognised that attempts to improve the skills gap had been unsuccessful, as it had not proved possible to recruit people with the necessary skills and experience within the civil service employment framework.

The creation of a Rail Delivery Authority cannot happen quickly because legislation is required, and it is not possible to introduce this before May 2015 when the current coalition Government ends. To make progress in the short term, the DfT has reorganised and separated rail franchising activity from other work it performs.

A new organisation called the Office of Rail Passenger Services will be created to manage the franchising process. It will have its own Managing Director, and the job was advertised in May 2014 at a salary of £250,000. In early September, Peter Wilkinson was appointed.

The post holder will advise ministers on longer-term strategy for franchise policy, and support the Secretary of State in understanding the political agenda alongside commercial considerations, in order to secure the best possible outcomes for rail passenger services.

The skills required are listed in the job description, which identifies a need to navigate complex landscapes and build credibility across the rail industry, as well as with ministers and key players in Whitehall.

Peter Wilkinson comes with experience of establishing, leading and motivating high-performing teams. A collaborative style and sensitivity to the political context and complex stakeholder environment will be essential. His ability to manage commercial negotiations within a public sector and political environment will be important, alongside a collegiate approach to working in partnership with colleagues, contractors and stakeholders alike. His prior >

“One of the early findings was that the programme of contract renewals could not be managed with the available resources, and that to be realistic it was necessary to restrict refranchising activity to three competitions annually.”

► experience of the rail industry will be crucially important.

The remainder of the reconstituted Rail Group is to be restyled as the Rail Executive. Its immediate task will be to develop a framework agreement between the DfT and Network Rail, which has now been reclassified as a part of central government activity, after the decision to include its funding requirements in the national debt.

A new approach to recruitment is planned for a team of 150 people, with an appropriate reward and development structure to attract staff and reduce the current dependency on consultants.

There is a further element in the governance structure, with the establishment of a Franchise Advisory Panel, chaired by Richard Brown (who remains a non-executive director of the DfT) and formed by leading figures from the rail industry and financial institutions. This group provides the opportunity for an overview of issues that emerge as part of the franchising and Direct Awards programme.

Other organisations are involved in the award of franchises, concessions and licences to allow the operation of rail services.

Transport Scotland has responsibility for the ScotRail and Caledonian Sleeper franchises, while the Welsh Government oversees operations in Wales and the Borders.

The Liverpool City Region Combined Authority continues to have responsibility for the 25-year Merseyrail concession, and Transport for London is the contract awarding body for London Overground, Crossrail and the Docklands Light Railway.

The Office of Rail Regulation licenses the operation of open access and charter services, by the approval of Track Access Agreements. This sector embraces Heathrow Express, Hull Trains, Grand Central and formerly Wrexham & Shropshire operations. There are a number of outstanding applications from Alliance Rail (owned by Deutsche Bahn) for operations on both East and West Coast routes.

GOVIA IMPROVEMENT PLANS FOR COMBINED TSGN FRANCHISE

In respect of DfT franchising activity, two recent awards have been made as a result of the implementation of new processes.

The first is the combined Thameslink, Southern & Great Northern (TSGN) contract. Govia, the existing Southern operator, has been chosen as the future operator, replacing FirstGroup, which has run the current Thameslink and Great Northern services (branded as First Capital Connect, FCC) since April 2006.

Govia is a joint venture between the UK based Go-Ahead Group (65%) and Keolis (35%) a partially owned subsidiary of French national operator SNCF. It also operates the London Midland and Southeastern franchises.

A seven-year contract has been awarded, starting on September 14, with a progressive amalgamation of operations. Initially only FCC services will transfer to new ownership, followed by a small number of Southeastern trains that operate on Thameslink routes on December 21 2014, with the Southern network being integrated from July 26 2015.

Revenue forecasting is problematic, given the disruption to services as the Thameslink infrastructure upgrade is commissioned. To remove this complication, the DfT has opted for a management contract that commits Govia to operate the franchise at an agreed price of £8.9 billion. With revenue expected to be in excess of £12bn, there will be a healthy surplus for the Government.

Analysts expect that the successful bidder will generate some £250 million in profit, provided it is able to deliver productivity improvements included in the bid. The level of profit could erode significantly if service quality benchmarks and reduced operating costs are not delivered. That represents real risk.

Despite the commitment to making productivity improvements that reflect the expectations of the McNulty Rail Value for Money study, Govia has made some ground-breaking customer service commitments.

Both First Capital Connect and Southern have had relatively

“A significant passenger benefit is the commitment to running a ‘right-time’ railway, with a Passengers’ Charter obligation to make automatic refunds to passengers by giving smartcard credits on an automated basis.”

poor National Passenger Survey results.

The former recorded an overall satisfaction figure of 79%, which fell to 43% when passengers rated performance at times of service disruption, during which time only 16% considered the availability of staff adequate. Southern had scores of 76% for overall satisfaction, 39% for dealing with delays, and a higher (if still disappointing) 36% for staff availability.

Govia’s response is a commitment to staff 100 of the busier stations on a first to last train basis, with 20,000 days of customer service training for frontline staff and investment in new information systems at stations. Community Rail Partnerships will be supported, with £1m per annum provided for improved facilities promoted by local interests, and a very welcome initiative to offer work experience and mentoring for young people in the area served by the franchise.

There will be a return to the use of Thameslink to describe the services, but the Southern and Gatwick Express brands will be retained. Dedicated airport services return, with new rolling stock provided that reflects airline passenger requirements - 108 vehicles will be constructed to replace the ageing Class 442 formations by the end of 2016.

The principal fleet change is the introduction between 2016 and 2018 of Class 700 trainsets to operate core services using the through route that will link Cambridge, Bedford and Peterborough with Brighton and towns in the South East. These are fixed formation trains, made up of 60 eight-car and 55 12-car units being built by Siemens in Germany.

Great Northern inner suburban services that operate to/from Moorgate will also receive new trains built to the latest metro specification, with 150 vehicles being provided to replace the 40-year-old Class 313 dual-voltage sets by 2018.

There is a current volume of 237 million annual journeys for the combined business, generating receipts of £1.3bn per annum and employing 6,500 people. There will be a significant increase in capacity as a result of enhanced infrastructure through central London, where the operation of 24 trains per hour will provide 10,000 additional peak-hour seats.

Interestingly, what was originally expected was the operation of 12 trains from each of the Midland & GN lines. But the timetable is now to be based on 16 services to/from Midland destinations and eight GN operations, with the result that a number of trains will continue to terminate at King’s Cross.

C2C FRANCHISE TO REMAIN WITH NATIONAL EXPRESS

A new 15-year contract for Essex Thameside (the London, Tilbury and Southend lines that are operated under the c2c brand name) has been awarded to current franchise holder National Express.

The contract will commence in September. This will mean continuity of operation since 2000, when National Express acquired Prism Rail, which secured the franchise in 1996.

The structure of the proposed contract follows a more standard approach, with the risk of delivering the business plan taken by the franchise holder. It is emphasised that the passenger benefit contained within the bid has been the decisive factor in awarding the contract, although there are some demanding revenue targets. This results in forecast premium payments of £1.5bn over the term of the franchise, which is protected by a Parent Company Guarantee.

Privatisation

Following the election in 1992 of a Conservative Government that had a commitment to move the industry into the private sector, there were uncertainties about the structure that would be adopted for the railway network in the UK.

There were broadly three organisational options:

- A conversion of the British Railways Board into a private company, mirroring what had taken place with British Gas.
- A return to the style of the big four geographically based companies that existed prior to nationalisation.
- The track authority model that it was believed would allow the benefit of competition between licensed operators.

The direction of European policy was a significant factor in the final decision, where there was a desire to liberalise the use of publicly owned railway networks by requiring the cost of network provision to be separated from train working expenses. This was seen as a mechanism that would allow new private operators to compete with the nationalised undertakings, within a structure that provided a fair allocation of both capacity and costs.

BR was not opposed in principle to private operators having access to the network - freight trains were run using privately owned locomotives and wagons. But a proposal by Virgin to operate passenger services on the East Coast route had failed because network access charges made the services uneconomic.

There was also a feeling that transferring a monopoly provider of rail services from the state to the private sector would not change much. And there had been the unfortunate example of British Gas, where the company had continued with monopolistic practices, disadvantaging the consumer who had no alternative supplier to use.

Electricity privatisation was seen to have avoided this. It created generating companies that sold their output to a series of regionally based retail companies, with an economic regulator with powers to ensure that monopoly behaviour in the market was curtailed.

The argument moved in favour of a track authority. Among other

issues, it was not seen that the freight sector would gain access to the network in the way that was needed to be competitive if the management of the infrastructure was placed in the hands of regionally based passenger operators.

As we know, by the time the Government's proposals for railway privatisation were published in 1993, it was the track authority model that had been chosen, and Railtrack was quickly established to provide separate management of the new infrastructure enterprise.

For the freight operations, the decision was made that there would be takers for an asset sale that transferred the total risk of providing services to new freight operating companies. As a result all the associated assets were sold and customer contracts novated to either EWS or Freightliner.

To protect the future of loss-making Channel Tunnel operations and intermodal services, a grant structure was put in place, although this was small in scale compared with the revenue support that the passenger operators would require when the cost of paying for access to the network on a commercial basis was established.

It was considered that an asset sale of the passenger business was unlikely to be a success, because there appeared to be few market entrants who would have any understanding of the implication. As a result, asset-light organisations evolved that confined the risk to ticket income and working expenses, with rolling stock and property assets such as stations leased from the ROSCOs and Railtrack.

Franchised operations became the solution, and 25 operational units were established for offer on seven-year to 15-year contracts. The contract length was straightforward, based on whether a commitment was given to invest in the leasing cost of replacement rolling stock. This had become a priority, given BR's inability to replace life-expired trains as a result of the External Financing Limit imposed by Government, which specified a ceiling both for investment and the cost of day-to-day operations and maintenance.

There will be an expansion of services, with 17 new four-car electric units added to the fleet. The timetable will provide 20% additional services, made possible by the release of capacity on the former electric lines between Stratford and Liverpool Street, by the diversion of some Crossrail services to Abbey Wood. This will allow trains operating from the c2c line to run to Liverpool Street as well as Fenchurch Street station.

A significant passenger benefit is the commitment to running a 'right-time' railway, with a Passengers' Charter obligation to make automatic refunds to passengers by giving smartcard credits on an automated basis. This will replace a process that requires a paper-based application for compensation (to reflect service shortfalls) that many users do not make.

CALEDONIAN SLEEPER WILL SEE SERVICE TRANSFORMATION

In Scotland, Serco has been awarded a 15-year contract to operate the overnight Caledonian Sleeper services, starting April 1 2015.

This follows the decision by Transport Scotland to separate operations from the overall ScotRail franchise, as it believed different management skills were required to meet market opportunities.

The change in emphasis has already been demonstrated by Serco, with the involvement of a Scottish-based hotel group as project

partners. Income from fares is expected to be supported by subsidy payments of up to £180m over the contract term.

The two daily return services have operated mainly in the tourist market, as for business travel requirements the availability of domestic air flights and the speeding up of daytime trains has weakened the appeal of overnight rail travel.

Issues remain with the sleeping car product, given the change in customer expectations, and Transport Scotland has taken the view that if the services are to be continued there has to be a step change to transform the offer and maximise value as a tourist attraction.

The centrepiece of the franchise plan is a £100m investment to supply 72 new overnight vehicles, built by CAF in Spain, to be formed into four trainsets that are to be introduced in 2018. The product will offer en-suite berths, pod seats comparable to the airline business class, and improved catering with a restaurant offering a brasserie style of service.

Serco is expected to buy in train haulage. Reports have been circulating that GB Railfreight will provide these services, presumably using Class 92 electric locomotives, for the trunk haul part of the journey over electrified routes, with the possibility of upgraded Class 73 electro-diesel traction being used on relevant line sections in Scotland.

EAST COAST TRANSFER TO THE PRIVATE SECTOR

Within the DfT domain, the next award will be for the East Coast franchise. The bid winner will be announced in October 2014, when mobilisation will be required to enable operations to commence in February 2015. The contract length has yet to be confirmed, but ►

"At last we have the determination that franchise contracts must work for the benefit of passengers."

► it is expected to be around eight to nine years with a possible extension of up to two years if business plan benchmarks are achieved.

Unlike previous franchise awards that have involved a change of control, the winning bidder will buy the East Coast Main Line operating company under the terms of a share sale agreement.

A closer working relationship with the Government is sought, with a partnership committed to deliver vision, a long-term plan and a delivery team that is wholly committed to putting passengers at the heart of the business. The objective is to realise the full potential of both the franchise and the investment being made in infrastructure and IEP rolling stock.

This was mirrored in the prospectus, with a call for genuinely creative bids offering improved timetables that build on the core train service requirement, alongside a transformation of the customer experience.

Bidders have been urged by the Franchising Director to engage with the DfT in discussing innovative solutions that include new funding proposals. It reflects a Government desire to ensure that the passenger gains, the industry thrives, and the taxpayer benefits.

The cap and collar provisions of previous contracts will not be repeated, as although the Government will share in profits beyond an agreed threshold, protection against revenue risk is confined to an adjustment in contract payments if economic growth is lower than forecast.

The three rail trade unions - RMT, ASLEF and TSSA - subsequently challenged the legal validity of the East Coast franchising proposal on the basis of process failures, but the challenge was rejected by legal authorities.

The argument has also been advanced that Directly Operated Railways should continue to run the business. This is because since taking over operations from National Express in November 2009, the East Coast business has performed better than comparable West Coast operations.

This is only in terms of the premium paid to the Government, however. Last year earnings from services operating from King's Cross enabled £208m to be paid to the DfT, compared with a payment of £108m by Virgin in respect of its West Coast services.

Much has been made of this, but the statistic is not a reliable basis on which to assess the relative efficiency of the two businesses. There is a large variation in rolling stock costs, whereby Virgin pays £250m more than East Coast in annual charges, given the age difference of the two fleets.

SCOTRAIL MUST UPGRADE SERVICES FOR INTER-URBAN AND SCENIC ROUTES

The Invitation To Tender for the ScotRail franchise that commences on April 1 2015 required a significant upgrade in the provision of services.

Infrastructure improvements are being made to the core inter-urban routes that serve Scotland's seven cities, covering services that operate from Edinburgh/Glasgow to Aberdeen and Inverness with stopping patterns at Perth, Stirling and Dundee, and on the East-West link between Aberdeen and Inverness.

This will allow faster journey times. And to exploit this, the future

“A closer working relationship with the Government is sought, with a partnership committed to deliver vision, a long-term plan and a delivery team that is wholly committed to putting passengers at the heart of the business.”

operator is required to improve the quality of rolling stock so that vehicles are comparable with Mk 3 coaches currently operated by East Coast on the Anglo-Scottish services beyond Edinburgh.

There is also recognition that services operating on scenic routes can be improved as a tourist attraction. This covers the West Highland (Oban/Fort William) and Kyle routes, where there is a specification for suitable rolling stock to be provided that gives passengers a better opportunity to see the views. The train operator will also be tasked with working with Network Rail to clear vegetation that obstructs the scenery. Catering must also be available on these services.

The £650m Edinburgh-Glasgow Improvement Programme (EGIP), which as well as Central Belt electrification via Falkirk High includes the provision of overhead wires to Stirling, Alloa and Dunblane, will be commissioned between December 2016 and December 2018. The franchisee is required to introduce new rolling comprising 23-metre vehicles formed into eight-car sets.

Transport Scotland is also providing a £30m stations improvement fund, but expects proposals to be brought forward that attract additional third party funding. Areas for priority are the improvement in station facilities at locations served by the Caledonian Sleeper trains, and more places with step-free access. The franchisee will also be expected to contribute £500,000 per annum towards the cost of Community Rail Partnerships.

There will also be responsibility for the operation of the re-opened Borders Railway between Edinburgh and Tweedbank, where construction will be completed by June 2015.

The new contract will be for seven years, with the option of a three-year extension related to performance. In terms of train operations, the target Public Performance Measure is set at 92% for the initial four years, increasing to 92.5% thereafter with a cancellation rate not exceeding 1.6%.

The National Passenger Survey conducted by Passenger Focus will be used as a key performance indicator. The minimum level of overall satisfaction that must be achieved is 88.3%. Any shortfall will be the subject of a substantial penalty of 10% of profit in the year concerned.

NORTHERN ENGLAND FRANCHISES MUST BE AFFORDABLE

The Department for Transport has decided not to merge the Northern and TransPennine Express franchises, because they meet different market needs that require separate product solutions. They are due to commence in February 2016, following the contract awards in October 2015.

Some remapping of routes is proposed, to reflect the electrification of the TransPennine route between Liverpool and York/Selby.

This involves removing lines that are not to be electrified from the TPE network, as they will no longer offer through services of the type currently provided. This will affect locations such as Scarborough, Middlesbrough and Barrow-in-Furness, as well as Hull, if a proposal for privately financed route electrification is not authorised.

The future TPE franchise holder will be required to focus on offering competitive inter-regional rail services between urban centres, building on the success of the existing operation, which has attracted significant growth as a result of an improved journey experience.

For Northern operations, there is a requirement to improve affordability. The current level of subsidy is the highest in England and Wales, and revenue of £268m per annum covers just 36% of turnover. There is a subsidy of 53p for each passenger mile, which results in support payments of £324m. (TPE routes required a subsidy of £41m - 16p per passenger mile.)

Bidders will be expected to demonstrate proposals to increase capacity, while containing the level of subsidy by the introduction of Driver Only Operation and improvement in the fares yield.

The emphasis is on enhanced capacity in key urban centres such as Manchester and Leeds, where commuter numbers are expected to grow by at least 2.5% annually in the next five years. The language is discreet, but there is reference to low usage on a number of routes, and the suggestion that the resources used on these services may not be cost-effective.

Vehicle quality is a key issue on Northern routes, which rely heavily on two-axle Pacer units that are 30 years old, and which do not comply with design rules beyond 2020 for access by passengers with reduced mobility. It is a requirement within the franchise plan that replacement proposals are made, and that the cost of doing this is identified.

The contracts will carry revenue and cost risk, as this is believed to be a structure that will motivate innovation to improve fare box income, constrain costs, and bring about plans to reduce the amount of ticketless travel resulting from the lack of ticket vending machines at many stations.

NEW DYNAMIC BRINGS PASSENGER BENEFIT

With the award of the first two re-styled franchise contracts, the Government has been keen to encourage a less adversarial approach. The aim is to consider franchise holders as partners.

“The language is discreet, but there is reference to low usage on a number of routes, and the suggestion that the resources used on these services may not be cost-effective.”

It wants to reduce the economic risk to companies in the bid process by placing less emphasis on revenue outputs that are dependent on wider economic indicators, and instead concentrate more on the areas that franchise holders can influence by their own actions.

In Peter Wilkinson’s words: “We are conscious of the fact that in the price on (stock) markets for listed companies, rail doesn’t carry an awful lot of value. We are keen to change that.”

For the TSGN contract, he concluded: “This is a new relationship and we must be prepared to stand by our partners.”

The inference is that the train operating companies will be encouraged to improve the assets that impact on service quality. And where this requires consultation with the DfT, a much greater willingness will be shown to make any necessary contractual adjustments. ■

ANNUAL SUBSIDY FOR TRAIN OPERATING COMPANIES

Annual data 2008-09 to 2013-14

Train operator name	2008-09 subsidy (£m)	2009-10 subsidy (£m)	2010-11 subsidy (£m)	2011-12 subsidy (£m)	2012-13 subsidy (£m)	2013-14 subsidy (£m)
Arriva Trains Wales	114.6	128.6	129.8	136.8	140.3	152.5
c2c	0.9	-3.3	-6.4	-12.1	-17.6	-4.1
Chiltern	11.1	8.8	-16.7	6.5	6.8	-5.0
CrossCountry	119.0	65.5	31.4	6.7	20.6	32.4
East Coast	-	-46.1	-170.7	-187.7	-190.5	-206.8
East Midlands Trains	46.3	10.0	-22.3	-40.4	2.3	3.6
First Capital Connect	-111.7	-89.1	-136.4	-162.7	-187.3	-202.6
First Great Western	-71.2	-2.9	-103.7	-110.1	-169.3	-73.8
First ScotRail	222.4	271.0	290.0	305.0	291.0	493.8
First TransPennine Express	82.9	78.4	79.1	78.1	41.3	61.5
Gatwick Express	-4.2	-	-	-	-	-
Greater Anglia	-	-	-	-16.9	-139.0	-160.3
London Midland	114.2	102.4	67.3	65.3	57.3	66.1
National Express East Anglia	-98.0	-97.4	-108.9	-72.6	-	-
National Express East Coast	-184.9	-144.5	-	-	-	-
Northern Rail	78.6	106.4	68.4	96.7	151.7	172.1
Southeastern	35.6	122.8	218.2	88.3	82.3	96.9
Southern	12.4	48.0	-102.3	-16.7	-215.1	-165.5
South West Trains	-41.7	-137.7	-177.6	-228.6	-314.7	-312.0
Virgin Trains	-71.6	50.0	-167.9	-165.7	-96.8	-101.2
Sub-Total	254.7	470.8	-128.6	-230.0	-536.8	-152.3

Source: Office of Rail Regulation

What is a franchise for?



Anthony Smith

Chief Executive, Passenger Focus

Passengers' daily concerns focus on their train turning up on time, a chance of getting a seat, (or in some cases even being able to board), and a clean train. This surely is the purpose of franchising: to ensure, in a largely non-competitive market, that this happens in a way that balances the needs of passengers and the taxpayer.

We publish the views of over 65,000 passengers a year in the National Rail Passenger Survey (NRPS). The key factor driving the steady increase in satisfaction over the years (82% overall satisfaction in spring 2014) is punctuality. The key driver of dissatisfaction is how delays are dealt with. So a strong message from passengers - franchising should underpin and encourage good performance.

The NRPS provides a good snapshot of the daily experience of passengers. But their priorities for improvement are not necessarily the same things - just because toilets are rated low in the NRPS does not mean they are the priority for improvement. Our recent work here shows a clear hierarchy of needs that varies little by journey type, region, country or individual train companies.

Value for money has stand out importance. Our respondents are talking not only about the ticket price, but also the basic elements of the service. And it is getting a seat, frequency and punctuality that follow, also with notably high rankings. A number of factors associated with provision of information and reliability are the next priorities. Franchising should surely then facilitate improvements in these areas.

We have also just published some work on passengers' relationship with the rail industry. We wanted to try to understand why the broadly satisfactory everyday experience of many passengers is not translating into a more positive feeling about individual train companies generally. Also it is important for government to understand why it is not perhaps getting all the credit it should for the investment being made in the railways.

The results are telling. Passengers feel broadly positive towards the rail industry, with rail rated closer to supermarkets and airlines than more maligned industries such as banking and energy. Yet despite this, few would recommend rail as a way of travel.

Some operators generate quite high levels of trust, but in London and the South East this tends towards more ambivalence, perhaps reflecting passenger numbers and the operational environment.

However, when the key elements are broken down, a more complex picture emerges in which trust plays an extremely important part. It's not enough for the train company to run the service, it must also build up a relationship and trust with its passengers.

What does this mean for franchising? The factors underlying trust in relationship centre on being truthful, acting with honesty and integrity, building long-term relationships, treating customers fairly, and communicating well. Passengers have told us they want to be consulted (to find out what they want), and for TOCs to be accountable (set out promises), transparent (report on progress) and engaged (talk to me!).

The new-style franchises being let by the DfT look promising. Only time will tell if they work, but the idea of customer reports, NRPS targets and more emphasis on quality seem to be encouraging TOCs to do the right thing. So getting the basics right every day is key, as is building a longer term relationship based on trust.



Jim Steer

Director, Steer Davies Gleave

Mike Jones wears a badge of honour as a founder member of the open access passenger train 'club', so he may be forgiven some of his views on the franchised part of railway-land. But I suggest you take his description of how franchising was seen in the past - variously, he says, a form of taxation, a barrier to competition and an opportunity for [DfT] micro-management - with a large pinch of salt.

Franchising was always about transferring risk to the private sector in an acceptable way. The aim was to get a business-like approach to managing costs and to growing revenue. The constraints arose to protect customers - especially commuters who have no alternative - from price hikes (hence fares regulation), from cutting socially necessary services (first and last trains, for example), and from providing insufficient capacity. These matters do not trouble open access operators.

So we already know the answer to the self-proclaimed 'Wolmar' question: we know that franchising was designed to transfer risk, and to protect customers while doing so. Try telling any TOC Director or Board member there's no risk involved, and you'll soon understand the perennial risk born around safety, and (of course) financial failure.

The issue is this: has the latest incarnation of the franchising model given enough opportunity for innovation and for private sector investment? Is the level of risk transfer reasonable, and is the level of service specification kept to the level needed to protect customers?

Mike is certainly right to talk about the difficulty in staffing up an organisation when nerves were in tatters following the 2012 West Coast debacle. In mentioning the problem with the 'civil service employment framework', it's not just a concern with pay levels for those tasked with large contractual negotiation.

My observation when at the Strategic Rail Authority (2002-05) was that people wanted to be part of the 'railway family', not the civil service, even while representing government's interests. And if it was necessary then to combine in one organisation responsibility for franchise oversight with strategic planning, how much more is that needed now, with such comprehensive investment programmes to be implemented?

The industry is feeling a sense of relief that the new franchises (and franchise extensions) that Mike describes so well are getting under way. A whole supply chain depends on this, not least the rolling stock sector.

The differing approaches to revenue risk transfer make sense. The old cap and collar system, while essential back in 2002 to keep the system alive post-Hatfield, ended frustratingly, stopping management 'doing the right thing'. So it's good to see arrangements such as those intended for East Coast, which will still transfer revenue risk, but with the impact of economic downturn mitigated.

The space I shall watch with great interest is the response to the Franchising Director's urge "to engage with DfT in discussing innovative solutions that include new funding proposals". It's surely time for some franchisee-funded solutions, which means it's time for franchising to show what it can deliver.



Professor Paul Salvesson
MBE FCILT, Transport analyst

Mike Jones has written an extremely useful overview of the current position in UK rail franchising. It's a rapidly-changing scene, and the appointment of Peter Wilkinson as MD of the new 'Office of Rail Passenger Services' promises a continuation of many of the new - and quite radical - approaches to franchising that Mike outlines.

A central feature is the emphasis on 'passenger benefits'. This is no longer just a nice added extra that carries, literally, no weight in the franchise evaluation. In fact, it now carries significant weighting, and could be the deciding factor in selecting future franchisees (Northern and TransPennine Express, for example).

It isn't just direct, quantifiable passenger benefits that feature in the new franchising environment. Much more emphasis is being given to maximising the wider social and economic benefits that rail can bring, reflected in a requirement to address staff training and apprenticeship issues in some of the new franchises.

As Mike points out, the new ScotRail franchise includes a requirement that the successful bidder will spend £500,000 on 'community rail' development. This poses a big challenge to the community rail movement in Scotland to 'up its game' and make good use of (Scottish) taxpayers' money. It is to be hoped that the Invitation To Tender for the Northern franchise, due later this year, will include similar requirements that mark a step change in community rail's contribution not only to rail, but also to the communities served by Northern Rail.

Mike doesn't raise the fundamental question as to whether franchising is the best possible approach to delivering passenger rail services. It is merely one way, and opponents would say it is not the most cost-effective.

I would probably agree with him that going back to a monolithic BR would not be the right solution, and it is clear that none of the main political parties (Labour included) is advocating such a step. Labour's approach of allowing 'publicly owned' bodies to bid is a classic fudge that satisfies nobody. But implicit in Labour's policy is that franchising in much the same form will continue.

The key issue is not the prohibition on 'publicly owned' bodies, but barriers to entry. There is nothing to stop a co-op or mutual bidding now, apart from finding the £12 million to put a convincing bid together, quite apart from additional costs if you win.

So if we are stuck with franchising, the new approach being adopted by both the Department for Transport and Transport Scotland is without doubt the best. It takes us beyond a narrow focus on the financial bottom line, although we are still stuck with the short-termism and ludicrously high barriers to entry for new players. A good practical way round this could be established players forming joint ventures with co-ops or mutuals, which would bring a new dimension - and different expertise - to the bidding process.

An additional issue is the export of profits generated by foreign-owned train companies back to their parent (state-owned) organisations. Does the value-added brought to franchising by companies such as Arriva, Abellio and Keolis overcome these concerns? That's an open question. But it does look as though we are stuck with the current system, suitably and positively amended by the new brooms at the DfT, for some time to come.



Christian Wolmar
Transport writer & broadcaster

Mike Jones has made a valiant attempt to answer the Wolmar question of 'what are franchises for?' But unfortunately he has failed at the first hurdle. The key point that protagonists of the existing complex and expensive system must answer is whether this model, developed to create on-rail competition that was then effectively ruled out, is the best way of delivering rail services.

Even a superficial analysis will reveal that it is not, which is why there have been so many changes to the system over the years, as Mike outlines. The collapse of the West Coast franchise exposed more than just the frailties in that particular process, it went to the very heart of the weaknesses at the core of the whole concept - of treating our railways like McDonald's outlets.

The conundrum of long versus short franchises has never been answered. Long ones require far too much crystal ball gazing, and consequently the private sector cannot take the full revenue risk. Short ones have the disadvantage of being too short-term, preventing any prospect of investment and creating upheaval for the staff and (possibly) the passengers.

The second conundrum that Mike fails to answer is over the amount of freedom to be given to the franchisees. Again, there are negatives on both sides. Give the operators too much, and the profit-maximising entities that win the contract will take advantage and exploit their monopoly position. Give them too little, and they will complain that they cannot make use of the private sector expertise.

Note that taking into account the network grant, all the operators (ironically with the exception of the publicly owned East Coast) are supported by public money, even if indirectly. And they are providing a public service - what economists call a public good. Therefore they will always need to be regulated, and therefore the notion that there should be 'less interference' from government is a nonsense.

Mike's point about profitability is wrong, too. Since train operators make very little investment, there is no cost of capital. Yes, there is the bond, but that does not justify the profitability of the train operators, which is likely to be higher than the usual stated amount of £250 million (or around 3%) annually, since there are internal costs allocated to parent companies that are not transparent.

Capitalism should reward investors or risk takers, like the Victorian companies that built the railways, but today's train operators do neither.

Finally, he ducks the issue of foreign state-owned companies making profits out of our railways, and therefore subsidising their own networks from ours. How can that be justified?

In order to demonstrate the value of franchising, Mike would have to show that it is undoubtedly superior to other ways of running the railway. In fact, by entrenching the separation of operations and infrastructure, created to allow for open access operators who (apart from a couple of exceptions) were then effectively barred from the railway, franchising does the railway a disservice.

Ladbroke Grove - October 5 1999
FATALITIES 31 INJURIES 520



© PA PHOTOS.



Grayrigg - February 23 2007
FATALITIES 1 INJURIES 88

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The safest railway yet - but it's not safe enough

The rail industry is constantly being told it must do much better on safety. **PAUL CLIFTON** asks **IAN PROSSER**, director of railway safety and chief inspector of railways, if the operators are being pushed too hard

Britain's rail safety record is impressive. In 2013-14 there were no passenger train derailments, for the first year since records began. We have by far the lowest rate of railway deaths in the EU - three times fewer than Ireland, the next-best country.

Britain is ranked best in Europe at managing passenger and level crossing safety. It is also among the best at managing employee safety.

And yet the Office of Rail Regulation's annual safety report chides the industry for not doing enough, and demands a sweeping change of culture. It concludes: "We are some way from excellence in health and safety management."

Is it really worth beating the railway with quite such a big stick, when it is demonstrably a world leader in safety? Britain had more than its fair share of catastrophic crashes in the years following privatisation, but from a passenger's perspective the recent record has surely been exemplary.

Not so, says the ORR. The trend of steady improvement seen in recent years has slowed, and in 2013-14 it was static. Progress has reached a plateau.

Three track workers lost their lives in incidents that the ORR says were avoidable. Two were road deaths, as people drove home after long shifts on the tracks.

The trend in track workers being injured increased to its highest level in seven years, with 79 workers suffering major injuries and 1,641 reporting minor injuries.

ORR says that although passenger harm fell last year by 9%, workforce harm rose by 10%. In particular, risk of harm to infrastructure workers rose by 22%.

Over the past decade, 20 of the last 25 railway worker deaths have involved infrastructure staff, with 60% of injuries recorded among the same group. Thirty-seven infrastructure workers have been hit by trains in the past ten years, with 11 people killed.

"This is far too high," concludes the ORR. You can't disagree.

LONDON UNDERGROUND

"It doesn't have to be that way," says Ian Prosser, director of railway safety and chief inspector of railways at the ORR.

"The main line railway is inconsistent in its approach to safety. It needs to learn lessons from London Underground, which is much better at it. London Underground staff have been better trained, on courses based around NVQs [non-vocational qualifications]. They

"We still have men waving flags as the main way to protect track workers. In the 21st century! Really, we can do better than that."

understand risks markedly better. The statistics prove it.

"Passengers notice it - they tell you they feel better about it. The platform staff are at the microphone providing guidance, moving people along. They stop people running, they put up barriers and railings in the right places to stop passengers doing the wrong thing, and they manage building work on stations well. LU is better at designing safety into its new work."

Prosser says he is pleased that Network Rail is now consulting experts at London Underground about how to manage risk more effectively.

"The industry does have a plan. But more people are using stations that were simply not intended for such numbers. We get very large numbers in very short periods of time, and disruption can add to that. Managing people through stations and onto trains is a challenge, especially at stations like Clapham Junction, and we will have to make further improvements."

If London Underground is best at this, which company is worst? Prosser does not say. But it is clear that he regards the gap between best and worst as pretty wide.

TRACK WORKERS

"We are still seeing infrastructure workers killed every year, and a stubbornly high number of serious injuries," remarks Prosser.

"We need a substantial shift in culture. The railway is left like a bomb site after a job, with things just lying around. That doesn't bring about a culture of safety.

"A lot of the major injuries occur in places where the plans have been changed at the last minute. We need better leadership. We have seen it improve since David Higgins and now Mark Carne has taken over at Network Rail, but we have yet to see that strong leadership reach down to the middle layers of the organisation. There are good plans, but they have yet to be delivered as boots on the ballast."

For the ORR, Prosser wields considerable power. He serves enforcement notices on Network Rail, requiring it to make changes. If it fails to do so, he can prosecute through the courts, leading to substantial fines. The Regulator can bite as well as bark - and he does.

"We still have men waving flags as the main way to protect track workers. In the 21st century! Really, we can do better than that."

He says the railway is too reliant on methods that have worked in the past, but which are no longer either cutting-edge or even merely acceptable. As he puts it: "What we see on the ground is an acceptance of what we would call non-compliance."

In other words, the railway takes a certain level of ignoring current best practice as inevitable, and even acceptable.

"We are still doing things the way they were done a very long time ago. In the 1960s hundreds of people a year died - there is an ingrained culture of accepting standards that should not be accepted. We have to get people to stop doing the wrong things. ▶

► We have issued 80 prohibition and improvement notices in the last six years. There has been a lot of enforcement and some important prosecutions.”

ORR welcomes plans for a fundamental change in the role of the COSS (Controller of Site Safety) at Network Rail and its contractors. There are thousands of people doing this work. It wants the person in charge of safety to become much more involved in the planning process, taking responsibility at an earlier stage.

“We have to shift this culture,” says Prosser. “We have to get the guy on the ground in charge and finding better ways for people to look out for each other.”

SPADS

The number of signals passed at danger (SPADs) increased by 17% last year. ORR says train operators should focus on better driver training and management to lower that figure. It is also pressing train operators to upgrade on-board equipment that applies an emergency brake if the driver makes an error.

“As operators lay on more services, drivers will see more red lights. We have to mitigate that as best we can,” says Prosser.

“We thought we might have cracked SPADs. Clearly not. We are very focused on that. It is a grind, trying to encourage the industry to upgrade TPWS [Train Protection and Warning System] where it is getting old. There are better models on the market now.

“We need better understanding of the risk at multi-SPAD locations, and better vigilance in driver management. We have driver management aids now, to monitor how well drivers do. We should use them more.”

The ORR highlights track geometry faults - rail twists - as a particular issue in parts of southern England.

Nationally, Network Rail has been getting a grip on the problem. But not in Sussex, because of “insufficient resources to deal with long-term under-performance, low level of renewals, poor planning and contractor failures, poor track access levels (especially on the Brighton Main Line and inner-London routes), and inherent design problems associated with the south London metro area”.

The ERTMS in-cab signalling system will be rolled out on the Great Western Main Line following electrification, with the East Coast Main Line to follow. This should have a dramatic impact on the number of trains passing red signals. But for much of the rail network it remains years away - perhaps 20 years on some routes. Technology will come to the rescue, but not soon enough for the director of rail safety.

“We are still doing things the way they were done a very long time ago. There is an ingrained culture of accepting standards that should not be accepted. We have to get people to stop doing the wrong things.”

MORE PASSENGERS

Here’s a phrase you will never hear from a passenger about to step off a train: “the platform-train interface”.

The ORR’s media handler apologises for not being able to come up with a better phrase for it. But “Mind the Gap” is every bit as important now as 30 years ago, when BBC Radio Sussex journalist Ian Collington recorded the warning in a voice familiar to generations of commuters.

The ORR says harm to people at the ‘platform-train interface’ increased in 2013-14. Four people died falling from the platform onto the track, and there were 1,250 other platform injuries.

Record passenger numbers makes this “a risk management priority in the short term”, according to the annual safety report. More needs to be done to make platforms safer places for travellers.

The statistics indicate that roughly half the total accident risk to passengers is found here. And 80% of the accident risk is at stations, mostly involving slips, trips and falls on stairs, on escalators and at the platform edge.

But look at the figures in the context of rapid growth in passenger numbers, and a different picture emerges. When measured per passenger, the risk from boarding and alighting from trains actually fell by almost a fifth.

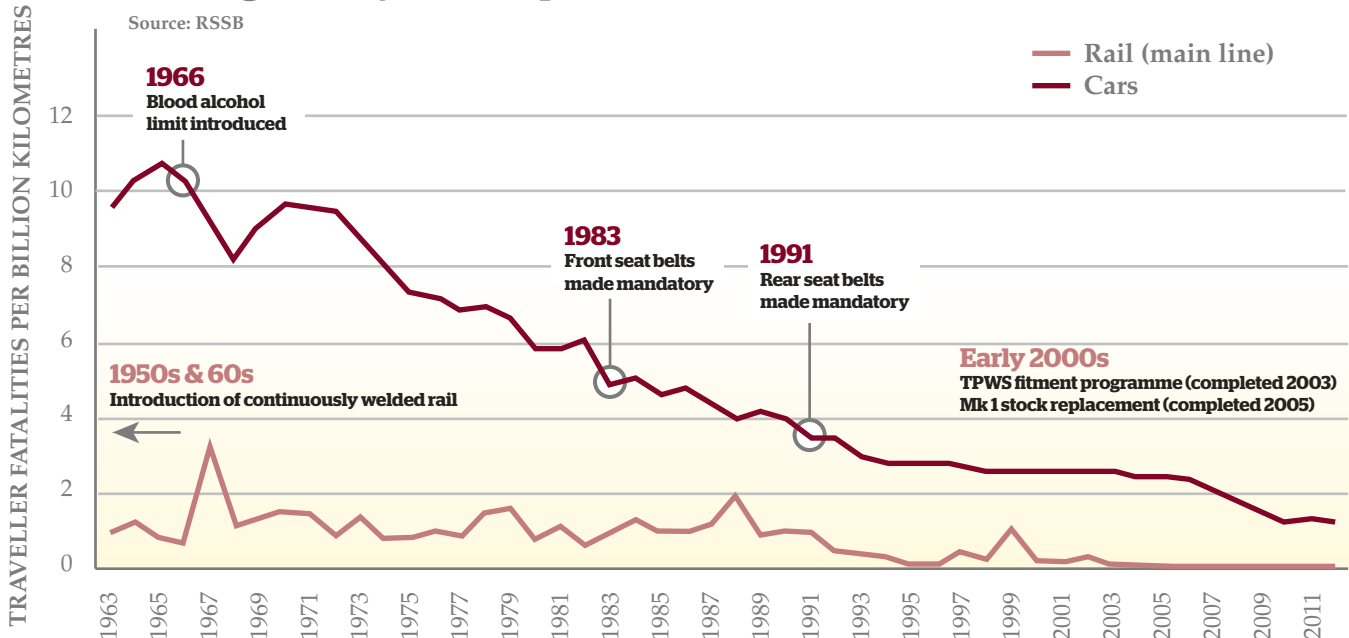
Additionally, over the past decade, two-thirds of all the fatalities involved people who were drunk - 21 of the 32 deaths at the platform edge involved what the ORR calls “passenger intoxication”.

That does not diminish the industry’s responsibility, because it knows that people with impaired judgement frequently choose the train as a safer way home than alternatives. But it does help to explain the extent of the problem.

After the ‘platform train interface’, the next highest area of risk is at level crossings.

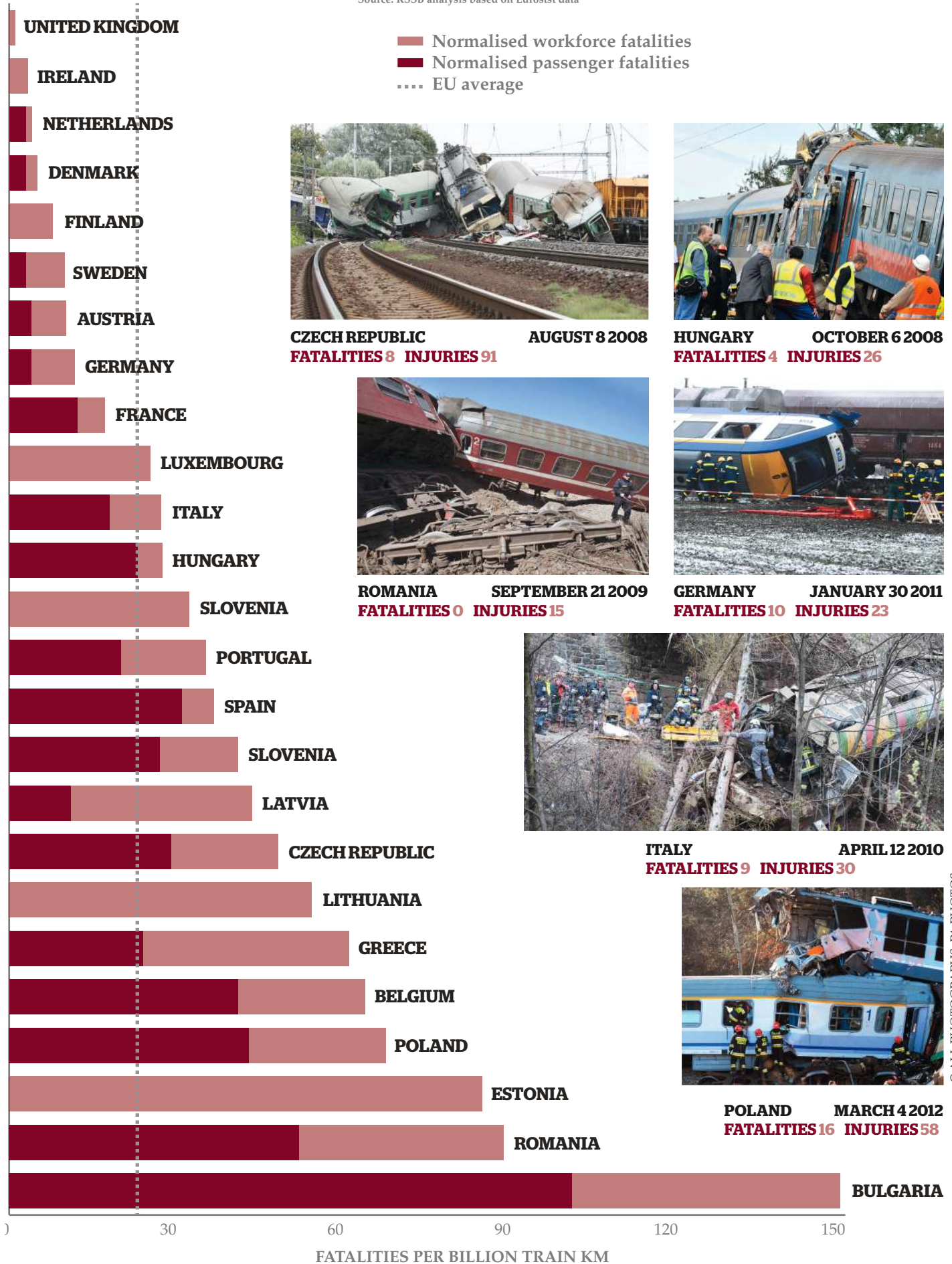
Here there is good news: in 2013-14, there was a further ►

Passenger safety - overall picture



Comparison of passenger and workforce fatality rate across the European Union's railways, 2008-12

Source: RSSB analysis based on Eurostat data



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Prescott station on the Liverpool-St Helens-Wigan line on August 27. Electrification on this route is at an advanced stage, and catenary installation at Prescott station is complete. Ian Prosser is concerned that Network Rail's standards on the North West electrification project are inadequate. MIKE HADDON.

► reduction of 12% in the level of risk at crossings. Network Rail has closed 800 crossings in the past five years, and plans to close 500 more in the next five. Britain is comfortably the best in Europe at managing level crossings.

Nevertheless, eight people died on level crossings last year. Two were car occupants at the same incident on an automatic half-barrier crossing, five were pedestrians, and the other was a cyclist. "None were industry-caused," concludes the safety report.

It is perhaps surprising that the figure was not larger. There were ten collisions between trains and cars at level crossings, and a total of 48 road vehicle incursions onto the track (a drop of 15% on the year before).

"Making crossings safer is not just about closing them, although that is usually the best solution," says Prosser.

"We call it the Three Es: education, engineering and enforcement. There are some crossings - like Poole High Street in Dorset - where an engineering solution to a high-risk crossing is not possible.

"But we can do more to educate the people who use level crossings. And there should be more enforcement if education is not having sufficient impact. We should not be afraid of tackling people who deliberately do stupid things."

SUICIDES

The total number of people killed on the railway rose last year. That is primarily due to a greater number of suicides - the highest level for more than a decade.

This is a very sensitive area for the railway. Prosser is keen to highlight the strong leadership demonstrated by Network Rail in tackling the issue, but is wary of the implications of acknowledging that more people are choosing the tracks as the place to end their

"It is so important not to be complacent. As a regulator I should never be satisfied. I want to see excellent, and I am not seeing excellent consistently across the main line railway."

lives. There were 279 suicides in 2013-14, compared with 246 the previous year. Over the past five years, the rate has risen by 17%. ORR says this is associated with the impact of the global economic downturn, a pattern that is not unique to Britain. Increases in suicides of similar proportions have been recorded in other western European countries.

Four per cent of suicides in Britain occur on the railways. There is a particular incidence of males between the ages of 15 and 44 choosing this location - almost half of all rail suicides are in this group.

"What the industry is trying to do with the Samaritans is really very good," says Prosser. "There have been many examples of railway staff, trained by the Samaritans, who have intervened in situations where this has led to someone not taking their own life. The numbers are large. There are hundreds of these, and this deserves praise."

Network Rail recently renewed its training contract with the Samaritans for a further five years. Since 2010, 5,000 front line staff have been trained in active suicide prevention, and in 2013-14 they recorded more than 600 interventions.

"The industry is really well focused on this," says Prosser. "The training of staff both in prevention and in dealing with the unpleasant aftermath of a suicide is very positive. We know there are particular suicide hotspots, such as railway lines close to psychiatric hospitals, and we need to make sure that more staff in those areas are trained.

"This is a problem that is increasing nationally, but we are being part of the solution. It's a credit to the industry."

One piece of good news in this area is that the number of trespassers killed on the railway fell last year - 21 people died, compared with 32 in 2012-13.

The ORR's annual report concludes that the slowing trend "illustrates that the industry's work to better control infrastructure access is being increasingly effective".

Principally that means Network Rail has been installing more robust fencing at the most appropriate sites, particularly on the West Coast Main Line.

OFF THE PACE

Prosser says that the rail industry’s occupational health programme is “some way off the pace” compared with other sectors, such as the petro-chemical industry in which he worked for 18 years.

“Other companies focus enormously on getting safety built into the design of everything new. On the railway we tend to use a tried and tested design because that is what has worked in the past. We have to move on from that. We need a new mindset to make things better from the get-go.

“The industry is good in a crisis - look at what it managed at Dawlish. But it doesn’t step back often enough or early enough at the design stage, such as on a station refurbishment, to incorporate safety improvements. It needs to build for maintainability, for whole life use. It’s not being done consistently. Get that right and the whole railway becomes more cost-effective.”

As an example, Prosser cites electrification work in the North West. Here, his voice changes from his customary quiet monotone. He is astonished at what his inspectors have found.

“We have challenged Network Rail very hard on electrification. Standards are not only inadequate; they are unlawful. We’ve had to enforce. They’re building without much thought about future maintenance.

“Have you seen how they isolate the power on a 25kV overhead wire? They have a remote switch-off. But they earth the cable using a pole. They actually stand there and push up a big stick. It takes a long time, it contravenes electrical standards, and it’s an obvious area where they can make improvements to both safety and efficiency.”

Prosser repeats his observation that LU has much to teach Network Rail about safety. Perhaps that is not surprising - after working for ICI, he worked at Amey Rail and was then safety director at the former Metronet. As he puts it, he worked at the coalface on the underground railway before his current six-year stint as a regulator.

“Last winter, managing the risk during the bad weather was done well. What Network Rail did better was improving engagement with the Met Office, with superior contingency planning. We had embankments slip; we had lots of trees down. But we had fewer and less serious incidents with trains.

“Thinking about where the key risks were, they put watchmen out, they put people on cab rides to detect problems, and they adjusted timetables. We still had trains hitting trees - lots of them - but fewer were serious.”

“We can do more to educate the people who use level crossings. And there should be more enforcement if education is not having sufficient impact. We should not be afraid of tackling people who deliberately do stupid things.”

He highlights the leaf fall season as remaining an unnecessarily large problem. The annual graph for signals passed at red shows a marked autumn spike.

And the ORR believes that Network Rail still needs to improve its management of lineside vegetation. “If it manages vegetation better, SPAD management will improve, too.”

BRITAIN IS BEST

The UK has the best safety record in the EU by a wide margin, both for passenger and workforce fatality rates.

Here, it is just over one death per billion passenger train kilometres. Ireland is next best at 3.4. It’s a big gap to Germany at 11.8 and France at 17.2. Spain scores poorly, as a result of the derailment near Santiago de Compostela in July 2013 that killed 79 people. Countries such as Bulgaria, Romania and Estonia have fatality rates more than 80 times higher than the UK.

Our record is formidable by any standards. Britain is in a league of one. The last death on a passenger train for which the railway was responsible was in the Grayrigg derailment in Cumbria in 2007.

And it is more than a year since a passenger train came off the tracks at all. The two potentially highest risk train accidents last year were freight train derailments at Gloucester and at Camden Town in London. The ORR is still investigating those.

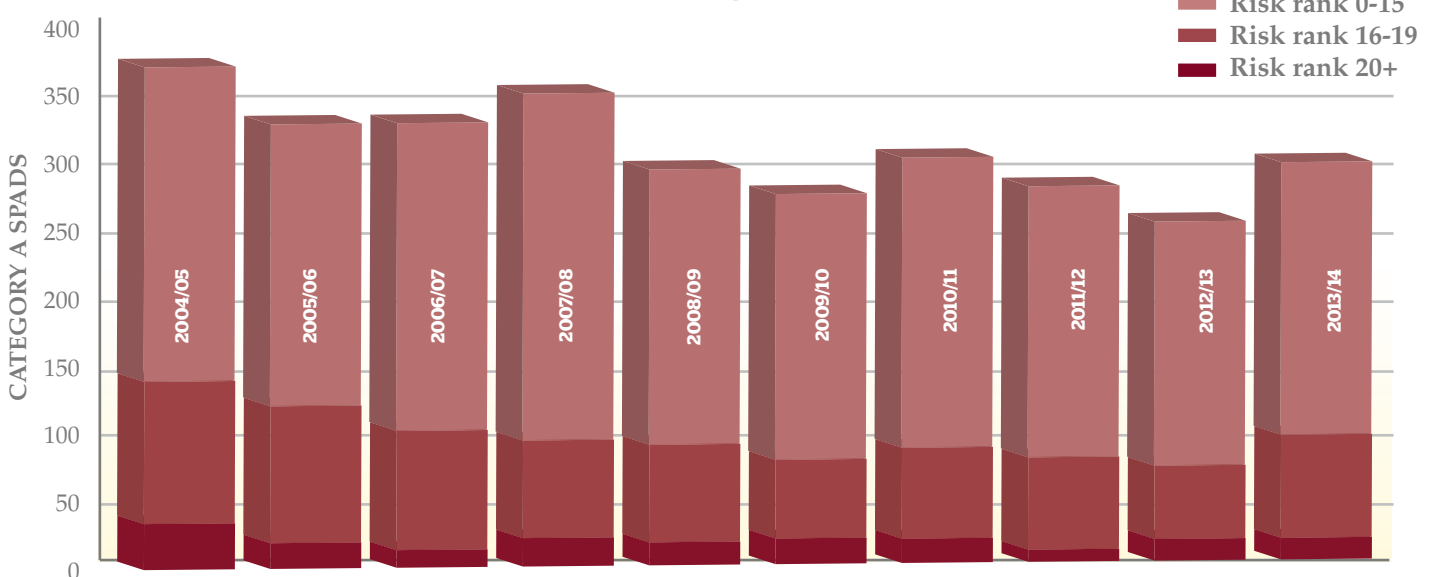
So should the ORR be celebrating the industry’s considerable achievements, rather than continuing to bash it with a very big stick?

“We have been very fortunate with the figures this year,” Prosser explains cautiously.

“You only need one accident for the figures to look very different, and for us to slip down the table. Spain is the obvious example of that. We don’t have many crashes, but when they happen they tend to be catastrophic.

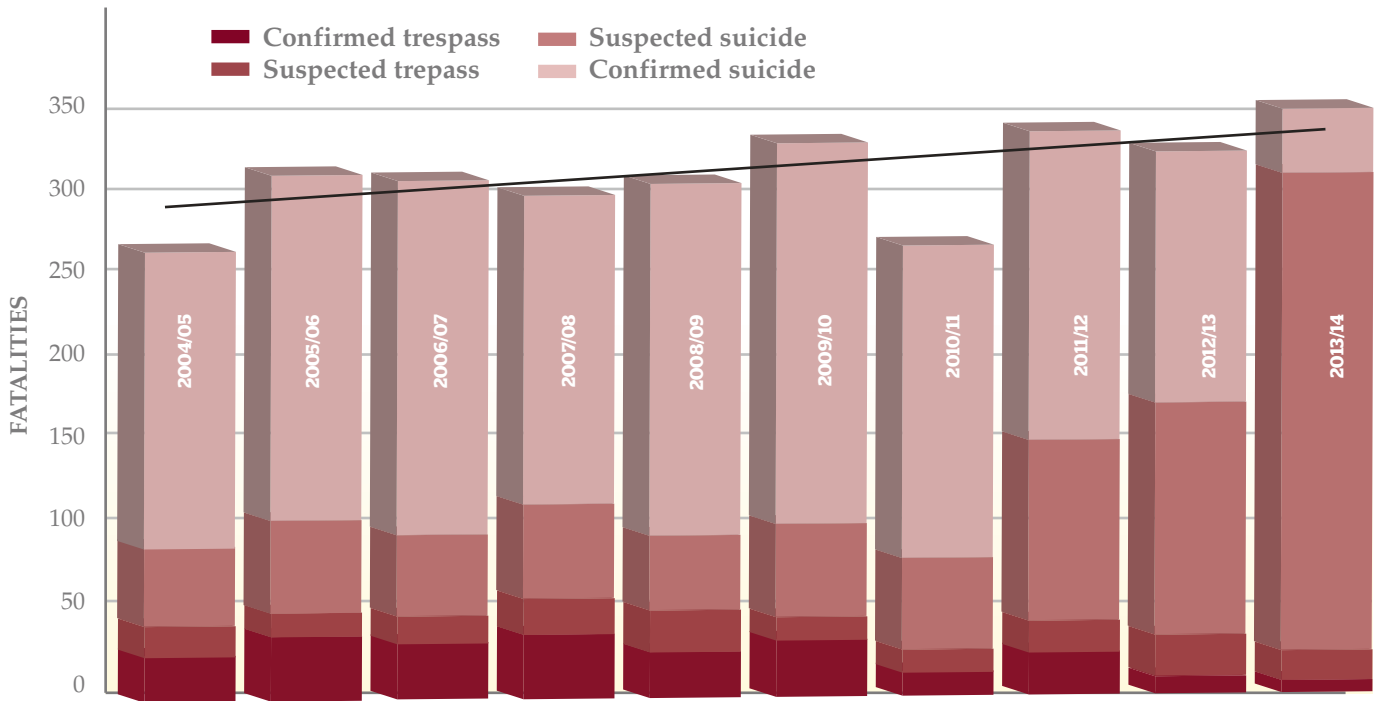
“The Japanese are very good on safety. There has not been a single fatality on the Shinkansen since it opened in 1964. That is the level▶

Trends in SPAD number by risk-ranking score, 2004-05 to 2013-14



Source: RSSB

Confirmed/suspected trespass and suicide fatalities since 2004



Source: RSSB

► of safety that we should be aiming for.

"It is so important not to be complacent. Last year's two freight train derailments could so easily have had very different outcomes. As a regulator I should never be satisfied. I want to see excellence, and I am not seeing excellence consistently across the main line railway.

"It is not about gold-plating the railway, it is about solid, continuous improvement."

Network Rail has responded to the ORR's report by stressing its efforts to improve safety.

"We know there is more to do to make the railway even safer for the public, passengers and particularly our workforce," it says.

"We believe that everyone must return home safe, every day, which is why we have committed to eliminate all fatalities and major injuries among our workforce and the contractors who work for us by 2019. Outstanding safety performance and outstanding business performance go hand in hand."

When asked whether Network Rail is tiring of being repeatedly mauled in public by the Regulator, Prosser sidesteps the question.

The Office of Rail Regulation's safety directorate is smaller than it was six years ago. But it still employs 132 staff, which is just under half of the ORR's total resources. Prosser says that, like Network Rail, it has had to achieve more with less - carrying out investigations faster and more effectively, while ensuring safety inspectors spend at least half their time out of the office, proactively examining the railway.

The ORR has approved more than £250 million of spending to increase protection and warning systems for track workers, plus £100m to close more level crossings. It says it wants to see rapid progress in introducing new technology to reduce risks.

It has established teams focused on Network Rail in the coming year, concentrating on the biggest areas of risk reduction: level crossings, track, civil structures, electrical and workforce safety.

So what will change between now and summer 2015?

"In next year's report, I think we will still be talking about track workers," sighs Prosser.

"It's going to take time to change the culture. Perhaps five years. It is going to be a long grind.

"That is without doubt my biggest goal. And we will very much be talking about the challenges that come from growth, that come from the renaissance of the railways." ■



Ian Prosser, director of railway safety and chief inspector of railways, Office of Rail Regulation. RALPH HODGSON.

Clapham Junction rail crash

One of the most serious incidents in the past 30 years took place at Clapham Junction on December 12 1988. It was caused by an oversight during resignalling work where old wiring had been accidentally left in place. This caused a red signal not to show when the section was occupied.

Three trains were involved; a packed commuter train ran into the rear of another that was stationary at a signal. The wreckage spilled out onto the adjacent running line and struck a third train, which was empty. Thirty-five people died and nearly five hundred were injured.

Hatfield rail crash

Although the death count was mercifully low (four fatalities occurred and 70 injuries), the derailment of the 1210 King's Cross-Leeds on October 17 2000 had a profound effect because it highlighted just how serious 'gauge corner cracking' could be. This problem - where wheel-on-rail contact caused tiny fractures in the rail - was known about but Railtrack had failed to act swiftly enough.

The death of four people forced Railtrack to impose severe speed restrictions across the network and discoveries of 'gauge corner cracking' resulted in an estimated £580 million repair bill. It was one of the factors which led to Railtrack plc being put into administration and the subsequent formation of Network Rail.

Hither Green rail crash

A train derailment occurred near Hither Green maintenance depot (between Hither Green and Grove Park stations) on November 5 1967. There were 49 passenger fatalities and 78 injuries.

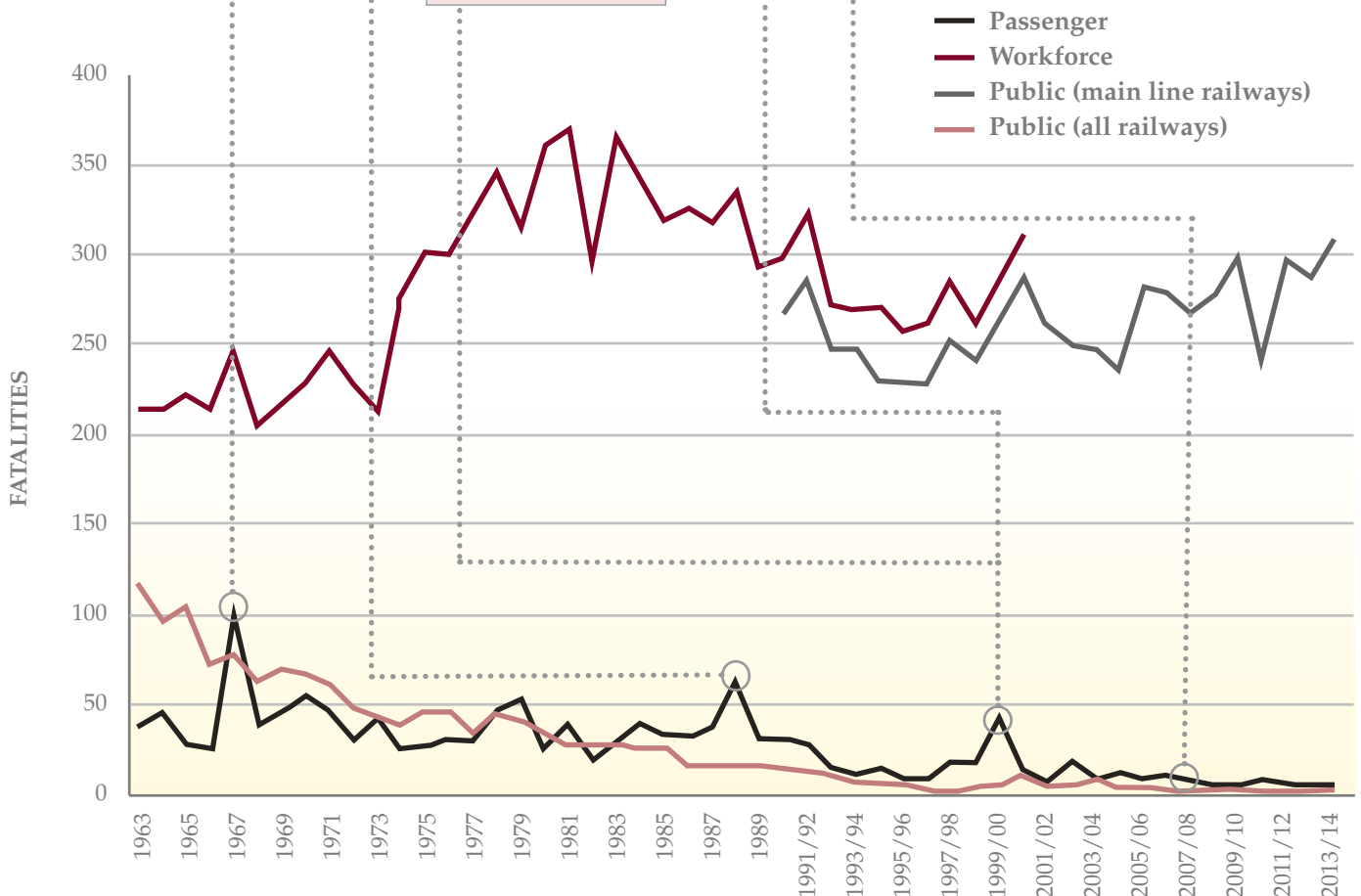
Ladbroke Grove crash

On October 5 1999, only two years after a similar incident at nearby Southall, an HST passed a signal at danger and struck a local service. It left 31 people dead and more than 500 injured, but ensured the introduction of Automatic Train Protection (ATP).

Grayrigg derailment

A serious fatal derailment occurred on February 23 2007 and claimed the life of one person, leaving 88 injured. A poorly maintained set of facing points caused a Virgin Trains 'Pendolino' to derail at high speed near Grayrigg; this incident bore strong similarities to the Potters Bar rail crash of May 10 2002, when a faulty set of points moved under a passing train, leaving seven dead and 76 injured.

Trends in fatalities over the past 50 years



Source: ORR data for main line railway up to 1993/94, RSSB data from 1994/95 onwards. Public (all railways) - ORR data, includes London Underground and other rail systems.

Is the railway safe enough?

I would like to quote Ian Prosser, then step back a little and look more deeply at those statements and the underlying issues they expose.

- "ORR, like Network Rail, has to achieve more with less."
- "Concentrating on the biggest areas of risk reduction."
- "It's an obvious area where improvements can be made in both safety and efficiency."
- "Other companies focus on getting safety built into the design of everything new."
- "It needs to build for maintainability."
- "We need a better understanding of risk at multi-SPAD locations."
- "The next highest level of risk is at level crossings."

The article is written in 2014, but some of the quotes would not have been out of place in 2003. It could be argued, for example, that among other things the Hatfield accident in 2000 was caused by a poor understanding of the concept of risk and, therefore, a risk-based approach to inspection and maintenance.

To really understand risk, it is important to collect the correct data and develop the management systems to convert that data into information. Such information can then be used to populate the risk and reliability models that in turn provide the knowledge for risk and evidence-based decision-making.

In the early 2000s, it was said that there was a lot of data available concerning lock nuts detached from stretcher bar bolts appearing on the ballast. Since the data was not collected and fed into information management systems, there was nothing to alert the management that there was a growing risk of a Potters Bar incident - which eventually happened in 2002.

Perhaps a risk-based inspection approach would have led to the points that caused the Grayrigg accident in 2007 being inspected as a matter of priority, instead of being left because of time constraints.

Over the years, the primary safety-critical industries have learned that safety and efficiency go hand-in-hand. Safety risk is but a part of overall business risk, and safety performance a part of business performance.

If infrastructure and other assets are designed, fabricated and constructed interdependently with ease of installation, commissioning and maintenance in mind, it usually results in a better overall system performance, cost and risk balance.

This is, of course, easier said than done. But such an approach was captured in the first BSI PAS 55 document published in 2004 (updated in 2008), the Institute of Asset Management document *Asset Management - An Anatomy* published in December 2011 (version 2 published July 2014), and in the ISO 55000 standard series published earlier this year and which was such an ongoing success for the Institute of Asset Management.

The recently updated and excellent RSSB document *Taking Safe Decisions* outlines similar principles, and is worthy of an article in its own right in a subsequent version of this publication, since it is so important for the European rail industry regarding risk assessment and evaluation.

Taking a systems-based approach hasn't been easy, when the nature of franchises and particularly their lengths is considered alongside the Network Rail five-year Control Periods. It has been difficult to achieve efficient working arrangements, common objectives and aligned incentives, and to embrace the true spirit of partnership to include Network Rail, train operators and their joint supply community. Unfortunately an



Len Porter
Former Chief Executive, RSSB

adversarial approach has often prevailed, with poor contacts and procurement practices making it difficult to deliver whole-of-life value as a result.

Fundamental to a modern asset management approach is achieving a line of sight from industry or company strategy and corporate objectives, through to operational planning.

I believe that the industry has been hampered by poor government intervention and regulatory capability. In an industry with a long-life asset base that needs clear long-term thinking, it is not so long ago (in these terms) that, for example, high-speed rail and electrification were out and then back in again a year or so later.

Unfortunately, the ORR spent a lot of time and effort trying to regulate cost out of Network Rail without regulating good practice in. The Value for Money review contributed little, and probably took the industry backwards rather than forwards.

The good news, however, is that I believe both government and the ORR have substantially shifted their thinking in recent years. The ORR's CP5 determination was really very good, but it was for CP5 and not CP3 - it asks for the right things from an asset management point of view, but perhaps up to ten years too late.

The DfT has significantly raised its game, reflected in the much improved approach to franchising with (I believe) even better things to come. It is no surprise, therefore, that the industry has relatively recently gained from informed direction and regulatory guidance.

It was heartening to read the August edition of *Assets* (the Institute of Asset Management magazine). An article entitled *The 10-point plan* describes the journey and approach to how Network Rail has implemented a significant improvement programme, to transform the way it manages its structures assets. The article is excellent, and should give Ian Prosser and the ORR added confidence that Network Rail is taking a lead going forward and has improved performance at reduced cost and with risk in mind.

During my time at RSSB from 2003 to March 2014, there is no doubt that the GB rail industry improved its safety position significantly for a range of good reasons. But, as illustrated by the PIM, there is underlying risk that has flat-lined and in some cases (for example, risk associated with SPADs and civil assets) recently increased.

Much of the PIM improvement has been the result of engineering intervention and investment in asset renewal - rolling stock, track, TPWS. The next step change, in my view, will come from the use of new data, information and overall asset management systems and associated competencies. These will improve overall performance at reduced cost and risk.

So safety will improve as we get better at managing the asset base and overall system. In the meantime, I have sympathy with Ian's position, and I especially agree that such a change in culture and approach will take at least five years. I just wish we could have started the journey earlier - the tools and building blocks were there, but not the strategy, direction or informed regulatory guidance to push the industry along.

Improved railway safety is unquestionably a good thing. Therefore, however highly-placed Great Britain may be in the European league tables, where there is scope for further safety improvements, safety regulators have a duty to call for those improvements to be made.

Or do they? What concerns me about Paul's article, and about the ORR's Health and Safety Report 2013/14 on which it draws, is the absence of discussion about the scale of safety benefits to be expected from the various safety measures mentioned, or of their costs. It is therefore not possible to form a view about what safety measures give good value for money, and what do not. Instead, the argument is that if the railways are less than excellent in some respects, they should do something about it.

A good example is the number of signals passed at danger (SPADs). RSSB data show that there were 293 SPADs in 2013/14, an increase of 17% on the 250 recorded in the previous year. That sounds like a far from excellent performance, which moreover is getting worse.

However, the latest version of the RSSB's Safety Risk Model estimates the current fatality risk from train collisions following SPADs as 0.55 fatalities per year. Given that the average fatal train accident causes about four fatalities, that implies a fatal SPAD accident about once every seven years.

In fact, we have done rather better than that. There has been no fatal SPAD since the Train Protection and Warning System (TPWS) provided a step-change in train protection in 2003. That implies that the gains from reducing SPADs are real, but limited.

If SPADs could be reduced by better driver management and training at no additional cost, then it would be a 'no-brainer', and the ORR would be right to press for it. However, if additional



Andrew Evans
Imperial College London

resources were required, these would need to be compared with the safety improvement.

Paul reports that the regulator is pressing for upgrades to TPWS equipment pending the rollout of ERTMS, which will not be widespread for many years. This appears to be a classic case where the costs need to be compared with the benefits - and given the data, it would be straightforward to carry out.

As for ERTMS itself, RSSB says its expenditure is "far in excess of the financial value of any safety benefit, and therefore it is accepted that the safety benefit should not drive the decision-making process". The decision was driven by the non-safety business case.

To finish with a different point, the scope of rail safety reporting has been gradually increasing. A notable recent addition is the inclusion of road accidents and casualties to staff in the course of work. This is welcome, and reflects the acceptance by the industry of the need to manage road use.

However, it means that trends in casualties need careful interpretation. A series may rise not because of any real change, but simply because its scope has been widened.



A DB Schenker Class 66 derailed between Ulceby Junction and Brocklesby Junction in Lincolnshire on the morning of July 15 2014. The '66' was hauling loaded coal wagons when a Category A SPAD (signal passed at danger) and derailment was reported and the Rail Accident Investigation Branch (RAIB) informed. Passenger and freight trains were disrupted for several hours but there were no injuries. SIMON ROBERTS.



We are facing a growing procurement conundrum

On July 9, the National Audit Office issued a report on the Department for Transport's Intercity Express Programme and Thameslink fleet procurements. IEP has an estimated total cost of £7.65 billion, and the Thameslink fleet £2.8bn.

The report was further confirmation of the steady progression of procurement, from a dry technical subject to a fundamental issue at the heart of rail and other industries.

The themes within it also illustrate the conundrum within public procurement: how can a single complex process to buy assets intended to last for decades be simultaneously certain, transparent and strategically directed - while flexing to accommodate changing market and economic conditions?

Also, how can it do so without legal challenge? Challenges to strategically important procurements, whether kit or (in rail) the franchises themselves, can be catastrophic. They can blow programmes apart and raise the prospect of our producing infrastructure without train fleets, or vice-versa.

Equally, however, without at least the spectre of challenge, with public authorities therefore on occasion being 'called out' on how they run their procurements, transparency might bend to expediency. The slow progress towards market liberalisation in other economies illustrates the downside of that approach.

One has considerable sympathy for both authorities and bidders, in trying to balance all of the competing complexities. Procurement is increasingly a key risk to be managed at a senior level by both bidders and authorities.

On IEP and Thameslink, the NAO concluded that the contracts met the objectives of reducing long-term cost of the whole rail system and of improving the reliability and availability of trains, by transferring risks to the manufacturers.

The report, however, flags some points as either open to final evaluation or as emerging potential concerns.

The NAO will not be able to reach a final view on value for money until the new trains enter service. It is also concerned that the approach to bidders as the project evolved might have increased the risk of legal challenge. And it flags a perception gap in relation to the Department's desire to play only a strategic role, contrasting with its hands-on approach to procurement in exercising additional fleet options on IEP.

HIGH COURT CHALLENGE

The NAO made recommendations to DfT for an integrated plan combining infrastructure rolling stock and franchising strategy, firmer timetables, and identification of the critical path and dependencies.

On a different front, the High Court has recently confirmed that the rail unions failed in their bid to challenge the franchise process.

The unions had invoked procurement and public law to try to challenge both the East Coast franchise process and the use of Direct Awards as part of a structured effective franchise programme. The court rejected the challenge on a number of grounds, including delay and the legal and factual merits.

However, this was the latest example of parties with a range of different

interests and perspectives seeking to rely on procurement law to put forward a particular position, or to shape the agenda to their own priorities (whether economic or political).

Policy, economics, operations and legal requirements all converge within procurement. Unsurprisingly, therefore, politics also comes into play. Labour policy has recently indicated that public sector bodies (including Directly Operated Railways) may be invited to bid for franchises. This would raise the prospect of DfT running a bid process in which it is both the referee and a player.

Procurement is complex - both logistically and legally. Get it right, and competitiveness is maximised and you get the right output for the right price.

Get it wrong, and at best you have the wrong solution or the wrong price. But at worst, the procurement may be terminated and you might have to start again - creating major delay and disruption.

In continental Europe, procurement challenges have been relatively common. In



"Bidders who do want to try to stop the process also face a big risk - they are usually required to cover the losses of both the letting authority and the successful bidder if the challenge fails."

“Labour policy has recently indicated that public sector bodies (including Directly Operated Railways) may be invited to bid for franchises. This would raise the prospect of DfT running a bid process in which it is both the referee and a player.”

the UK, the conventional wisdom has been that few bidders would be willing to take on an authority. Across different industries, however, that perception is changing.

Few bidders challenge lightly, but it can happen. Rail has recently witnessed Virgin’s challenge on West Coast and an intense bidder manufacturer challenge on Eurostar’s new fleet. The NAO mentions in passing that IEP was itself challenged, although that challenge was soon withdrawn.

RISK AND EFFECTIVENESS

Recent legal challenges outside rail have included the significant supply of construction materials to the Welsh public body, and even a challenge by a law firm taking on the Insolvency Service on its approach to retaining panel lawyers. It is therefore ever more critical to get it right.

However, the complexity creates dilemmas. For example, to what extent can criteria reflect (or not) past performance or the protection of the national interest or jobs?

To what extent can change in circumstances be reflected in revised evaluation criteria?

How can innovative thinking or very different bidder solutions be properly

encouraged without cutting across the consistent treatment of bidders?

These are fundamental issues of risk and effectiveness. They are therefore issues for senior management to understand and to direct the specialists.

The starting point is the principles of equality and transparency embedded in the EU Treaty, and the various procurement directives and regulations flowing from it. The purpose is to liberalise markets, to drive efficiency, and to eliminate national bias in selection. That is the aspiration... the reality is, however, often more complex.

Who is subject to this regime when buying services? The starting point is that public bodies must of course be so - if the specific product or service is one that is covered and hits a value threshold.

Procurement law can also extend to private bodies, however, particularly if they operate under special or exclusive rights. Whether they do or not is very fact-specific - in transport it can depend on whether an organisation is providing a network for transport to the public. A network can be physical or virtual. A virtual network can exist where the service is provided under operating conditions set by a member state on (for example) routes, capacity or frequency or service.

Eighteen months ago the High Court looked at this in the context of international open access operations by Eurostar. It decided that (based on what

it does) Eurostar was not subject to public procurement requirements in its own purchasing decisions.

For franchise operators, the position will shortly be clarified by one of three new

2014 EU procurement directives.

The Utilities Directive makes it clear that where there has been a competitive tendering process for a franchise up to 15 years, then the franchise holder will itself not be subject to the full procurement regime going forward.

The UK has welcomed this and other clarifications, and is expected to implement the three new directives early in 2015.

For public bodies, the legal position remains complex. EU Treaty principles will always apply, including those of transparency and equality, as will the overriding requirements of public law.

Beyond that, whether or not the myriad specifics of particular processes apply under various procurement directives and regulations will depend on what is being let and how. For example, premium-only franchises, as concessions, fall under a different regime to subsidy-based franchises.

This is why some cases are brought just in Judicial Review, and some in specialist procurement courts.

Even so, the themes tend to be the same. Was the playing field level? Were bidders given the right information? Was the evaluation done in line with the published criteria? Were important non-compliances ignored or criteria set aside for expediency?

TIME LIMITS

The Government has aimed to reduce the risk to authorities by legislating very short time limits on legal action - 30 days from date of knowledge that something may have gone wrong. That time may often start to run during a process, and not just when the Award happens. Also at the stage of award, if a bidder wants actually to stop a process, it may in practice have as little as the ten days of the standstill process to try.

Bidders who do want to try to stop the process also face a big risk - they are usually required to cover the losses of both the letting authority and the successful bidder if the challenge fails, by providing a ‘cross-undertaking’. Bidders wary of the exposure sometimes decide instead to claim damages only. That can create a ‘pay twice’ risk for the public authority.

UK rail is a successful and growing industry, implementing a massive investment programme to take it forward in the 21st century. Effective and successful procurements are critical to that success. A strategic understanding of what makes a successful programme - and the successful management of procurement risk - is increasingly key for both public authorities and for those who bid. ■

About the author

Chris Jackson is a leading disputes lawyer, with a track record of success in large and complex commercial disputes. He has national recognition in two areas - the Rail Industry and Health and Safety. A partner at Burges Salmon, he chairs the firm’s Rail Sector Group.



A cut-away artist's impression of an AT200 EMU designed by Hitachi for the Intercity Express Programme. Chris Jackson says procurement is a key risk that must be very carefully managed. HITACHI.



NR begins life under new financial rules

On September 1, Network Rail was formally reclassified as a public body. **PHILIP HAIGH** examines what this means for the company's financial structure and responsibilities

Debt lies at the heart of the Office of National Statistics' decision to finally classify Network Rail as a government body.

The national rail infrastructure owner started Control Period 5 (CP5) last April with debt of £31.7 billion. It's expected to finish CP5 in March 2019 with debt of £49.6bn, having ploughed the difference into the network in the form of renewals and improvements.

Although NR had borrowed from the private sector, it used a government guarantee to ensure it paid a lower interest rate. This guarantee is the Financial Indemnity Mechanism (FIM).

The original idea behind the FIM was that it provided help for NR to establish itself, and would then be phased out. Indeed, in its Final Determination for CP4 (2009-2014), the Office of Rail Regulation (ORR) specifically allowed for NR to raise unsupported debt, but the company decided not to pursue this option.

After many years of discussion, the Office of National Statistics (ONS) decided to reclassify NR following changes to European accounting rules that required it to take account of a government's exposure to a company's debt when deciding whether that company should be classed as a government body (see panel). In the UK, government guarantees NR's debts in full, and this meant that NR must be classed as a government body.

£30.3BN LOAN PROGRAMME

Although the change formally took place on September 1 2014, the greatest of the subsequent changes had already taken place. On July 4, Network Rail and the Department for Transport had signed a £30.3bn loan programme to cover NR's financing needs through Control Period 5.

This deal covers not only what NR directly needs for its tracks and signals, but also covers any debts that need to be repaid or refinanced over the same period, and marks NR's complete withdrawal from the private finance market for new debt. This runs counter to the view expressed by NR's Board last February, when it argued that it should be able to retain the ability to raise at least some of its debt on its own.

The loan from government, rather than banks, means that NR will now be using some of the direct grant it receives from DfT to pay the interest it owes DfT for the loan. Ultimately, NR will repay DfT's debt using some of the DfT grant it receives.

With existing debt continuing to be covered by the FIM and paid back when required, the July deal points towards NR's finances being rolled into five-year agreements between it and DfT. Such

Heavy lifting gear is in operation as Network Rail contractors replace the structure of Duck Bridge, on the Whitby line in North Yorkshire (part of the NR London North Eastern route), during the evening of June 3 2012. The debt that NR accrues for work such as this now goes back onto the public sector books.

deals could follow ORR's periodic reviews that set NR's objectives for the coming five-year Control Period.

These reviews are required to take account of funds available to the DfT and Transport Scotland, and come in the form of Statements of Funds Available (SoFA). The DfT funds England and Wales, while Transport Scotland (TS) covers NR's network north of the border.

ANNUAL SPENDING SETTLEMENTS

Such a five-year loan settlement could alleviate fears that a return to government control marks a return to the sort of financial control that once exasperated British Rail managers. For example, as BR historian Terry Gourvish recounts in his book *British Rail 1974-1997*, the state railway's investment ceiling for 1991/92 was reduced from £1,378 million (equivalent to £2,581m in 2013) to £1,070m, before being eased slightly to £1.095m until the end of 1991, when a further £55m was added.

However, there's a sting in the tail of a Framework Agreement between NR and DfT (published by the latter on September 1), because it sets the conditions for a return to annual spending settlements. The agreement says: "The Chief Executive - as Network Rail's Accounting Officer - has the delegated authority to spend up to the amounts allocated to Network Rail each year by the Department in a formal delegations letter."

DfT in turn can only spend up to limits set by HM Treasury. In this way, government can throttle back on rail spending, should its finances take a turn for the worse.

The process by which DfT and Transport Scotland decide how much they want to spend, and what they want from NR as a result, is called the High Level Output Specification (HLOS). ORR checks this work, while also checking the plans NR produces in response.

This duplication makes it ripe for rationalisation. In deciding how much to spend, the DfT will take a view on how the rail network should develop, including the projects required to deliver it. ORR's work refines this, and NR refines some more. This could be done bilaterally by DfT/TS and NR, with little or no input from ORR.

Even ORR's role as overseer of NR's work could be at risk in the long term. It might hold NR to account, but should the track >

The loan from government, rather than banks, means that NR will now be using some of the direct grant it receives from DfT to pay the interest it owes DfT for the loan. Ultimately, NR will repay DfT's debt using some of the DfT grant it receives.

► owner's plans go awry (for example, if electrification costs go over budget or its deadlines be missed), it will not take long for a Transport Secretary or his senior officials to call in NR's chairman or chief executive for an explanation.

Indeed, the framework agreement makes clear that the Transport Secretary will take a close interest in NR's activities, with the right to hold regular meetings with NR's chairman (as well as the right to appoint that chairman).

Despite these arguments, the framework confirms ORR's role as

Office of National Statistics decision

In deciding to classify Network Rail as a public sector body, the Office of National Statistics (ONS) considered factors listed in revised European accounting rules. These rules are officially known as European System of Accounts (ESA), and were updated in 2010 to produce the ESA10 rules. The previous version was ESA95.

Under the old rules, ONS had to consider whether government had any control or influence over NR's directors through the appointment process, and whether there were any undue factors that enabled any part of the public sector to determine general corporate behaviour.

Although it conceded that NR had been created by the Strategic Rail Authority (a government body), ONS decided that NR could not be classed as public body.

It said: "ONS decided that Network Rail was a private sector company, though it operated within certain boundaries set by government via regulation. If those boundaries were breached (such as in times of financial failure), triggering the reserve powers and the SRA exercised control, then Network Rail would be reclassified as public sector at that point."

ESA10 introduced new advice concerning government control of non-profit institutions. It also provided more detail on the relationship between costs and sales, with a rule that at least half a company's costs should be covered by sales. For NR, this was relevant because of its grant income direct from the Department for Transport.

ESA10 included five new tests for government control over not-for-profit companies. They were:

- Appointment of officers.
- Provisions of enabling instruments.
- Contractual agreements.
- Degree of financing.
- Degree of government risk exposure.

The first was similar to the ESA95 tests, and ONS reached a similar conclusion that directors were appointed by NR's private members, rather than DfT. The following two were thought to be a matter of regulation rather than control.

The final two were not part of previous examinations. For 'Degree of financing' to count as government control, Europe advises that government must "fully or close to fully" finance NR. ONS found that government was a significant source of NR's funds, but that it had never been over 65% and so could not be considered to be fully or close to fully funding NR.

That left the final test - 'degree of government risk exposure'. NR's own briefing documents to potential funders makes it clear that the UK government's guarantee of NR's debt is "unconditional, unlimited, irrevocable and uncancellable".

ONS adds: "There is a statutory obligation on government to protect the interests of rail users, meaning government would be forced to step in to keep the railways operating were Network Rail to collapse." Finally, it notes that nobody else bears any significant risk because NR has no shareholders.

For this reason, ONS reclassified NR as a public sector body.

Source: ONS Classification of Network Rail under European System of Accounts 2010, December 17 2013.

NR's economic regulator. Given the traditional tension between HM Treasury and spending departments such as DfT, ORR's work provides the Treasury with a measure of financial assurance that has a degree of independence from the department itself.

ORR retains its safety role and its place in deciding track access allocations, because access is needed by private companies as well as by those train operators running government franchises. But NR regulation is ripe to be absorbed into DfT, despite the clauses within the DfT/NR framework agreement.

Longer-term financial certainty allows better planning from NR and its private sector contractors. The latter should be better placed to appropriately train their workforces for the long term, although NR's continued use of framework contracts comes with no guarantee that work will actually materialise. Coupled with annual spending limits, there is a real risk of spending taps being turned off at relatively short notice.

Keeping five-year control periods sits with the promises made by Secretary of State for Transport Patrick McLoughlin in a letter to NR Chairman Richard Parry-Jones last December, shortly before the ONS announced its decision.

McLoughlin wrote of the likely ONS decision: "It would not reflect any change in the underlying substance of Network Rail's operations, nor would it affect the security of your investors or your internal decision-making on issues such as resourcing and delivery. My overall aim would be to change as little as possible about Network Rail's structure and its interaction with central Government, while meeting the accounting and reporting standards that apply to the public sector."

A DfT-NR Memorandum of Understanding (MoU) that followed later the same month took the same line, and proposed the framework agreement that was published on September 1.

The memorandum talked of holding NR to the targets set by ORR's five-year review, but also of appointing a formal accounting officer to satisfy parliamentary accounting processes. The company's accounts will be consolidated into DfT's (and therefore government's), to be presented to Parliament.

VALUE FOR MONEY

The DfT's own accounting officer will need to be satisfied that NR is accounting properly, and that its spending represents value for money. The MoU says: "In doing so, we will seek to draw as much as we can from the existing control frameworks, in particular the duties and powers of the ORR as independent regulator."

In addition to ORR's oversight, the National Audit Office (NAO) will take an interest in NR. It looks to find value for money in government's actions, and its recent reports have examined train procurement, Crossrail, Thameslink and High Speed 2. It also provides an annual review of the DfT itself, and has examined how ORR regulates NR's efficiency.

The NAO is run by the Comptroller and Auditor General, currently Sir Amyas Morse. From next April, he will be appointed as NR's auditor, replacing the company's private sector auditors. To this end, the DfT requires NR to supply him with whatever information he needs.

Even ORR's role as overseer of NR's work could be at risk in the long term. It might hold NR to account, but should the track owner's plans go awry, it will not take long for a Transport Secretary or his senior officials to call in NR's chairman or chief executive for an explanation.

One part of NR's structure that could see change is its membership. The company's 41 ordinary members (and one 'special member' from the DfT) act as quasi-shareholders, in approving accounts and board appointments at annual general meetings. They once numbered more than 100, and were formed to provide the semblance of a public company owned by shareholders.

Although the DfT special member held the power to dismiss all the members in the event of a 'fundamental financial failure' of the company, the structure provided sufficient distance between the DfT and NR not to fall foul of previous European accounting rules. In this way, NR could remain classed as a private body. The DfT could also appoint a special director who would sit on the remuneration and appointments committees, but it never did so.

NETWORK RAIL MEMBERS

Now that NR has been reclassified, there appears little need to keep the pretence of being a private sector company. The company's road equivalent, the Highways Agency, does not have members - it simply has a board appointed by the Department for Transport.

If NR is to be accountable to Parliament (and the MPs sitting therein), it has no need of members. Dispensing with NR's members almost returns to the situation of April 1 1994, when Railtrack was first established as a government-owned company, with its directors appointed by the Secretary of State. Railtrack was later floated and sold to shareholders, before its financial collapse following October 2000's fatal accident at Hatfield.

DfT has always had the power to dismiss NR members in their entirety (and only in their entirety). While NR was in the private sector, this power was limited to the single situation of fundamental financial failure, but that constraint disappeared when NR became a public body, and was confirmed in late August when NR's members voted to change the articles of association that govern the company.

Members will now be appointed by the special member who is the Transport Secretary (or his appointee). Before reclassification, the board appointed members. There remains no minimum or maximum number of members.

NR DEBT CHANGES THROUGH CP5

Opening CP5 net debt	£31,669m
Revenue	£35,851m
Support costs	£2,381m
Traction electricity, industry costs and rates	£3,461m
Network operations	£2,212m
Network maintenance	£5,810m
Schedule 4 and 8 costs	£1,191m
Tax paid (in cash)	£7m
Renewals	£13,614m
Enhancements	£14,361m
Financing costs (excluding inflation accretion)	£7,153m
Other costs	£513m
Inflation accretion	£3,093m
Closing CP5 net debt	£49,614m

Source: ORR Periodic Review 2013 Final Determination.

Notes: £m nominal. Accretion is the amount of inflation added to the value of index-linked debt to compensate debt holders for inflation.

Private sector contractors should be better placed to appropriately train their workforces for the long term, although NR's continued use of framework contracts comes with no guarantee that work will actually materialise. Coupled with annual spending limits, there is a real risk of spending taps being turned off at relatively short notice.

Further comparison between Network Rail and the Highways Agency shows a gulf in executive directors' pay. NR pays its directors on the basis that it needs to compete with the private sector. HA's directors are appointed under senior civil service pay scales, which are considerably lower, even though it also needs to compete for the best people.

Even taking into account the difference in size of the two bodies, in 2011/12 NR's chief executive received almost four times the salary of his HA counterpart (see panel, page 48). There will also be differences in the salaries below executive director level, as NR's board acknowledged in its April meeting.

Pay packets for directors fall under the remit of remuneration committees. For the HA, as a DfT executive agency, the committee ►

Transport Secretary's duties

The Secretary of State for Transport is accountable to Parliament for the activities and performance of Network Rail.

The Secretary of State will ensure that Network Rail is guided and monitored in the public and taxpayer interest. In particular, the Secretary of State will:

- Be the Special Member as that role is defined in NR's Articles of Association.
- Appoint the chairman of Network Rail Limited and NR Infrastructure Limited (NRIL), and have the power to dismiss the chairman.
- Have the right to approve the Board's suggested candidate for chief executive of NR.
- Have the right to appoint a Special Director of NR.
- Be consulted on non-executive appointments to the Board.
- Hold regular meetings with the chairman, to discuss corporate strategy and raise any strategic concerns.
- Approve the three-yearly Remuneration Policy for executive directors of NR.
- Set pay for the chairman and non-executive directors of NR.
- Agree the Membership Policy with the Board, which will cover the process for selecting members and the competencies they will be required to possess.
- Select the Membership Selection Panel.
- Have the right to approve the appointment of Members based on the recommendations of the Membership Selection Panel.
- Have the right to remove all of the Members.

Source: NR/DfT Framework Agreement, September 2014.



Network Rail and Highways Agency salaries

Network Rail

Revenue 2011/12: £6,004m

Governance 2011/12: Six executive and nine non-executive directors

Executive salaries 2011/12



Chief Executive
DAVID HIGGINS

£560,000



Finance Director
PATRICK BUTCHER

£383,000



Operations Managing
Director
ROBIN GISBY

£360,000



Asset Management
Director
PETER HENDERSON

£440,000



Infrastructure Projects
Managing Director
SIMON KIRBY

£360,000



Strategy
Director
PAUL PLUMMER

£338,000

Highways Agency

Total budget 2011/12: £3,953m

Governance 2011/12: Seven executive and three non-executive directors

Executive salaries 2011/12

Chief Executive Graham Dalton: £145,000-£150,000

Finance Director Stephen Dauncey: £115,000-£120,000 plus £5,000-£10,000 bonus

Traffic Management Director: Simon Sheldon-Wilson: £90,000-£95,000 plus £5,000-£10,000 bonus

Network Delivery and Development Director Derek Turner: £140,000-£145,000 plus £10,000-£15,000 bonus

Major Projects Director Peter Adams: £115,000-£120,000

Strategy and Planning Director Ginny Clarke: £105,000-£110,000

Sources: NR Annual Report 2012, Highways Agency Annual Report 2011/12.

Note: Highways Agency directors are appointed and paid as senior civil servants on either open-ended or fixed-term contracts. SCS pay is usually given as a range. Board appointments in both organisations have changed since 2011/12.

In 2011/12 NR's chief executive received almost four times the salary of his Highways Agency counterpart. There will also be differences in the salaries below executive director level, as NR's board acknowledged in its April meeting.

► is chaired by the DfT's permanent secretary (its senior civil servant) together with the DfT's directors general and a non-executive director.

Before reclassification, Network Rail's remuneration committee consisted of three or four non-executive directors, including the company's chairman. It could also have included Transport Secretary Patrick McLoughlin's appointment as special director. That director would have sat on the remuneration committee with at least two other non-executives. Although the special director had just a single vote (and so could be out-voted) it's clear that he or she would have wielded considerable influence over directors' pay on behalf of the government.

REMUNERATION POLICY

Under reclassification, the Transport Secretary sets the pay of NR's chairman and its non-executives, and sets the remuneration policy for the board as a whole (consulting with the Chief Secretary to the Treasury as required). Although the framework agreement holds that the policy should be drawn up by the remuneration committee and approved by members, it makes clear that the Transport Secretary must approve it before any vote by members.

Under DfT plans, members will also continue to vote at annual general meetings. In this way, they will continue to elect the company's executive directors. The Transport Secretary does not have powers in relation to the appointment of executive directors, but he must agree the process for selecting members and the skills they should have. He also selects the panel that will select members, and has the right to approve the appointment of members. Additionally, he has the right to remove all the members - in this way, he can influence the appointment of executive directors almost to the point of directly selecting them.

For other staff, the framework says: "Network Rail's approach to reward and remuneration should reflect both its role as operator of the nation's rail assets and its responsibility as a steward of taxpayers' money. It should therefore be designed to recruit, attract, develop and motivate suitably skilled staff, taking into consideration value for the taxpayer as well as commercial efficiency and market conditions."

It calls on NR to publish details for those paid more than £142,000 per year, including "specific details of the roles of the highest earners".

McLoughlin told Parliament on September 1 that NR was an "arm's-length body of the DfT", but it's clear from the framework agreement that he has gathered the key levers of influence over NR for himself. There can be no doubt that NR is truly a nationalised company in the ways that really matter.

That opens the door to privatising Network Rail in the future. ■

The framework says: "Network Rail's approach to reward and remuneration should reflect both its role as operator of the nation's rail assets and its responsibility as a steward of taxpayers' money."



Chris Bolt

Former Rail Regulator and LU PPP Arbitrator

By itself, the decision to reclassify Network Rail changes nothing. What matters is the scope it has given the Secretary of State to interfere in the running of a major company, with the risks that this will undo the progress of the last 20 years. So, how did we get here?

There are two popular arguments for greater central government control of Network Rail. Both are invalid in my view.

The first is that the scale of grants going to the company requires close Government involvement to ensure that value for money is achieved. But an independent regulator surely provides all the assurances needed about value for money? Why should civil servants in Great Minster House be more effective at this task than the regulatory experts in One Kemble Street?

The second is that the scale of its debt is so great that direct funding from the Exchequer would be cheaper even than borrowing with an indemnity. This argument is even more misconceived. What matters is not the cost of Network Rail's borrowing, but its risk. As the National Audit Office has put it: "As a customer, the Government can sometimes benefit from the delivery of policy objectives at a price below the real cost to the business." And that real cost has arguably gone up, because of the political risks following reclassification.

It is worth remembering that the only reason Network Rail's debt is so high is because of the way DfT itself has played fast and loose with the biggest credit card it has at its disposal.

The original concept of a Regulatory Asset Base was that the cost of maintaining a network would be charged to revenue, averaged over the medium term, with only enhancements adding to the RAB.

But strong pressure was put on the regulator in 2003 to agree to renewals being added to the RAB, coupled with the introduction of grant paid direct to Network Rail rather than via the TOCs. Ironically, this was to satisfy various statisticians that Gordon Brown's so-called Golden Rule was being met.

The Rail Regulator's acquiescence to those changes has led directly to the current position whereby the independent role of the regulator is being significantly undermined.

Why does all this matter? Principally, because it moves the governance and management of Network Rail away from the well-established UK model of independent regulation of private sector network companies within a framework of government strategy, back to the inefficiency of Secretaries of State running major delivery activities. Remember the Postmaster General?!

Even the last Labour Government understood that railways operated best (very well summarised in the 2004 Rail Review) as "a public and private sector partnership... a public service, specified by Government and delivered by the private sector".

Is there an alternative? Yes indeed, there is. It would separate the strategic responsibilities of the Secretary of State for Transport from ownership responsibilities, placing those with the Shareholder Executive (as with companies such as the Post Office and NATS). As the NAO says: "Balancing public policy and shareholder value objectives... is difficult."

The NAO has supported the Shareholder Executive model. Why has DfT not listened? We need an answer.



Richard Price

Chief Executive, Office of Rail Regulation

Philip Haigh's *RailReview* article provides the first really forensic public analysis of Network Rail's reclassification as a public sector body, and the potential impact on Britain's railways. It points to the potential tensions caused by the overlapping relationship between DfT and Network Rail, and gives an insight into some of the conflicts of interest likely to arise when the spending department becomes the shareholder and encounters the temptation to micro-manage the business. It is (after all) strategist, policy maker, funder, procurer and now shareholder.

Understandably, Philip points to the overlap and potential duplication caused by the double oversight of NR by both DfT and ORR and the scope for merging the two. I'm sure he'd expect me to point out that ORR's role in this process is set out in statute, and is rooted in enforcing NR's delivery against the licence under which the law says it has to operate.

Putting this aside, however, the picture that Philip paints is of a world in which an economic regulator - independent of government and the industry it regulates - has an invaluable role to play in giving the public, the taxpayer and parliament assurance that the substantial sums of money invested are spent efficiently and deliver the outputs valued by passengers and freight customers.

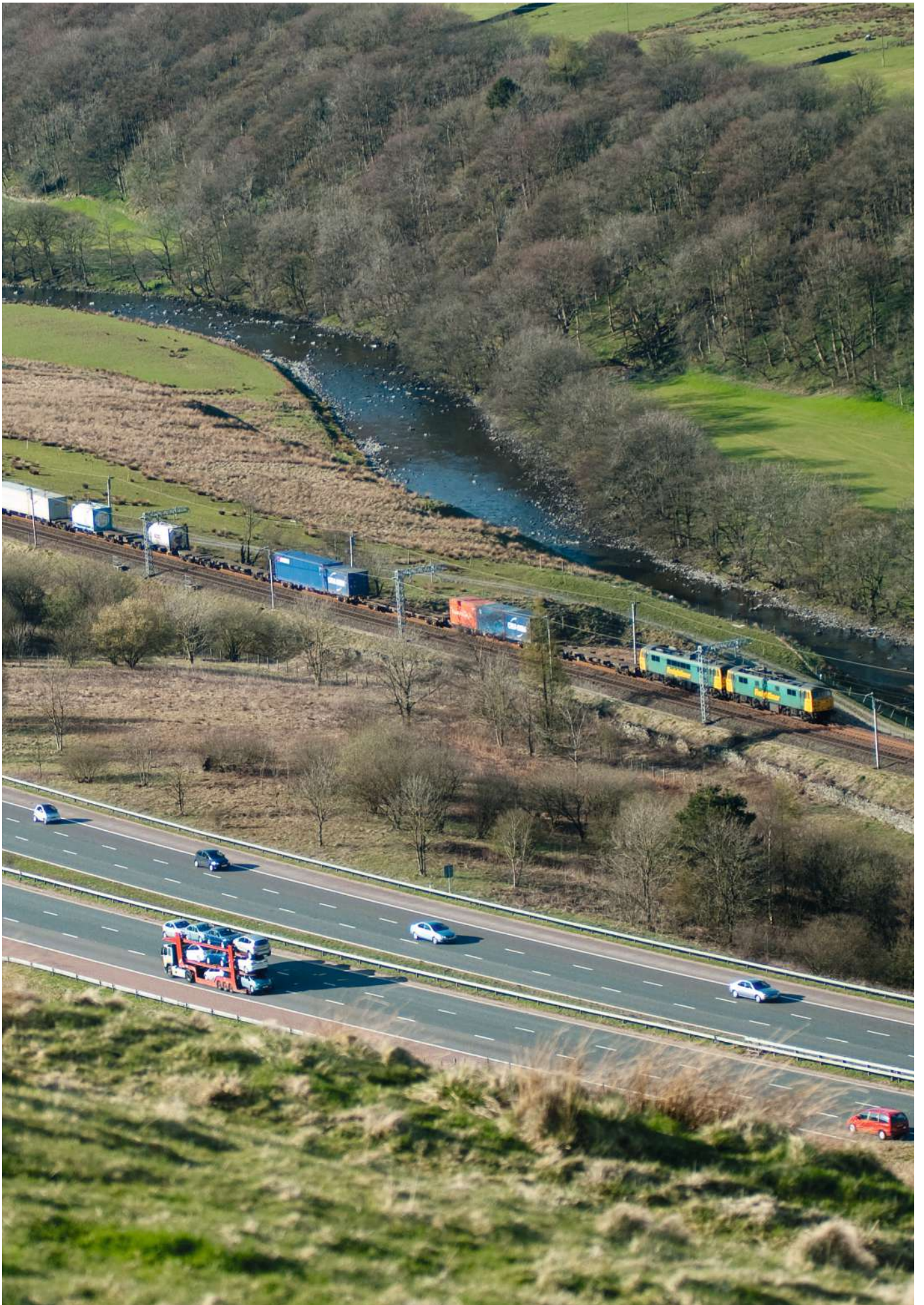
Irrespective of reclassification, it's also important to remember the company continues to hold a monopoly position as the owner and operator of Britain's rail network. Both public and private monopolies can pose risks for customers, delivery and value for money.

With funders having a closer relationship with Network Rail, the role of independent regulation becomes (if anything) more important, mitigating the risk for government and rail users that detailed intervention by the sponsor department cuts across the flexibility the company needs to deliver performance targets and complex enhancement projects with the maximum possible efficiency.

Operating outside the clear and transparent structure for delivering investment, and without proper change control is a dangerous recipe for scope and cost creep on a significant scale.

The last decade has seen efficiency savings of around £15 billion, brought about in part by independent regulation, while delivery for rail users is much stronger. Correspondingly, the challenge for Network Rail to achieve the next level of efficiency is tougher, and it would be disappointing for such a successful industry to see these advances slow, or reverse.

The continued high levels of public financial support for the railways, with billions of pounds of funding in place from taxpayers and fare payers, make it vitally important for the sector to be more transparent about service outputs, costs, and where this money actually goes. Although Philip's article doesn't explicitly say this, his compelling analysis makes a clear case as to why, in these new circumstances, an independent source of assurance to give this level of transparency becomes even more significant.



Rail freight: getting it right for the customer

Rail Freight Group Executive Director **MAGGIE SIMPSON** explores the diversity of the rail freight sector, and asks for better partnerships to help meet customers' expectations and priorities

A few weeks ago I met with Anthony Smith, chief executive of Passenger Focus. Ironically, our meeting was to discuss roads, and the new role that his organisation is set to acquire representing users on the strategic road network. But the conversation moved on - as they do - and we found ourselves discussing passenger priorities for the railway.

What surprised me, although perhaps it shouldn't, is that the themes raised by passengers are so consistent whenever and wherever they are asked. That is not to belittle them in any way, or to underestimate how difficult they can be to satisfy, but I was struck by how different their views are - both in topic and approach - to those regularly expressed by freight customers.

I was reflecting on this at the Rail Freight Group summer meeting, at which Drax Power, one of rail freight's larger customers, set out its expectations and priorities for rail freight.

The list was distinctly different from those expressed by passengers, focusing on cost efficiency, management of network capacity and securing return on investment. But ask a user in the retail sector what their issues are, and you will get a different list again.

So what do freight customers want? And how are we, as an industry, responding to that?

THE RAIL FREIGHT MARKET TODAY

To understand why freight customer views differ, you need to start by understanding the market.

Today, around 22 billion tonne-kms of rail freight is moved, up 6% in the last year. Research from the Rail Delivery Group shows that the value of the goods moved is over £30 billion, and that collectively the sector contributes over £1.5bn to the economy, keeping 7.6 million lorries off the road.

Yet the rail freight market is not homogeneous. The different sectors that contribute to that total face very different market conditions, future trends and supply chain needs.

Coal, the traditional bedrock of rail freight, still represents around a third of all business. Because domestic coal production has mostly ceased, with the exception of the Scottish open cast business, the vast majority of traffic now links ports and power stations rather than the traditional flows from mines.

Many ports are involved in the supply of coal, including east coast locations such as Immingham and Hull, and Bristol and Liverpool

“Increased efficiency and competition in the intermodal market has also caused costs to fall, making rail more able to compete with road.”

on the west coast. Traffic runs to the large coal-fired power stations, such as Drax, Ferrybridge, Fiddlers Ferry and Cottam.

As you would expect, coal movement is seasonal as power demand rises and falls with the weather. The share of coal generation is driven by the relative prices of coal and gas (the latter is particularly volatile).

Supply chains are also complex. To ensure security of supply, power stations use a diverse range of ports and rail operators, booking deliveries across them on a week-by-week basis. Little wonder that coal flows are so complex on the network!

Coal generation is under pressure from environmental legislation, and we have recently seen a number of power station closures - including Didcot, whose landmark cooling towers were demolished in July.

However, the remaining fossil fuel power stations still have a decade of useful life ahead, and the recent Budget made changes to the rate of carbon tax that appear likely to stabilise coal generation over the coming years. It is of note that last winter, coal generation accounted for almost 40% of all UK electricity needs, despite a rise in the share of renewables.

Coal is not the only commodity moved for the power sector. Partial or full conversion of some generators to handle biomass (pelletised wood) has opened a new market for rail freight, and necessitated significant investment in wagons and loading facilities to accommodate this new fuel. It is still unclear how many generating units might convert, but with government support confirmed to 2027 for those that are, there will be significant opportunities in this market.

Away from coal, the other large bulk commodity group is construction materials. Last year this grew by 17%, as the economy pulled out of recession and building activity began to resume.

Materials moved include stone (limestone and granite), sand and gravel and cement used in the building industry, as well as other smaller flows of gypsum, pulverised flue ash, construction waste and other materials.

The movement of construction materials on rail owes much to the nation's geography. Hard stone mainly occurs north of the so-called 'stone line' that extends from the Severn estuary to the Wash, while sand and gravel occurs to the south.

As the foolish man discovered to his peril, you cannot build a house on sand, so hard rock must be imported to the London and South East region to support any kind of significant construction activity. Hence the main rail flows come from the quarries in the Mendips, East Midlands and Peak District to terminals in the South East. Increasingly we are also seeing flows into other conurbations such as Manchester and Leeds, while sand and gravel moves back in the other direction.

Rail's increasing role is also being influenced by the minerals planning regime. Getting new extraction consents is difficult and ▶

► costly, so as smaller and older quarries become expired, there is more focus on the larger sites with longer permissions. This tends to work to rail's benefit, as haul lengths from these 'super' quarries to market are greater. This trend has already contributed to the sector's growth in recent years, and we expect it to continue.

Away from bulk, the largest sector is intermodal, which today makes up a further third of all traffic.

This is actually two distinct markets. First (and by far the largest) is the movement of deep sea shipping containers from port to terminal, dominated by the large flows from Southampton, Felixstowe and London to inland destinations across the UK.

These ports dominate because the global shipping lines such as Maersk, using the world's largest container ships, tend to only make a single UK call on routes between the Far East and Americas to mainland Europe, and do not want to sail far from the shipping lanes taking them on to ports such as Rotterdam.

Of course, other ports do handle containerised goods, including traffic coming on feeder vessels and other short sea trades. The Port of Liverpool is presently investing to enable 'new post panamax'-size vessels to call there, while several of the East Coast ports also handle container flows.

But for rail the combination of volume and destination has (at least to date) made this difficult business from the regional ports, although all eyes are on Liverpool at present.

On the main flows, however, intermodal volumes have soared - up 75% in the decade to 2012. There is little doubt that work to 'gauge clear' the network, allowing 9ft 6in standard containers to be

"As the network gets more and more full, there is a danger that investor confidence will be undermined by the perception (if not the reality) of limited capacity. This is why we are pressing for early certainty over the freight benefits that might be delivered by HS2."

conveyed, has made a big difference.

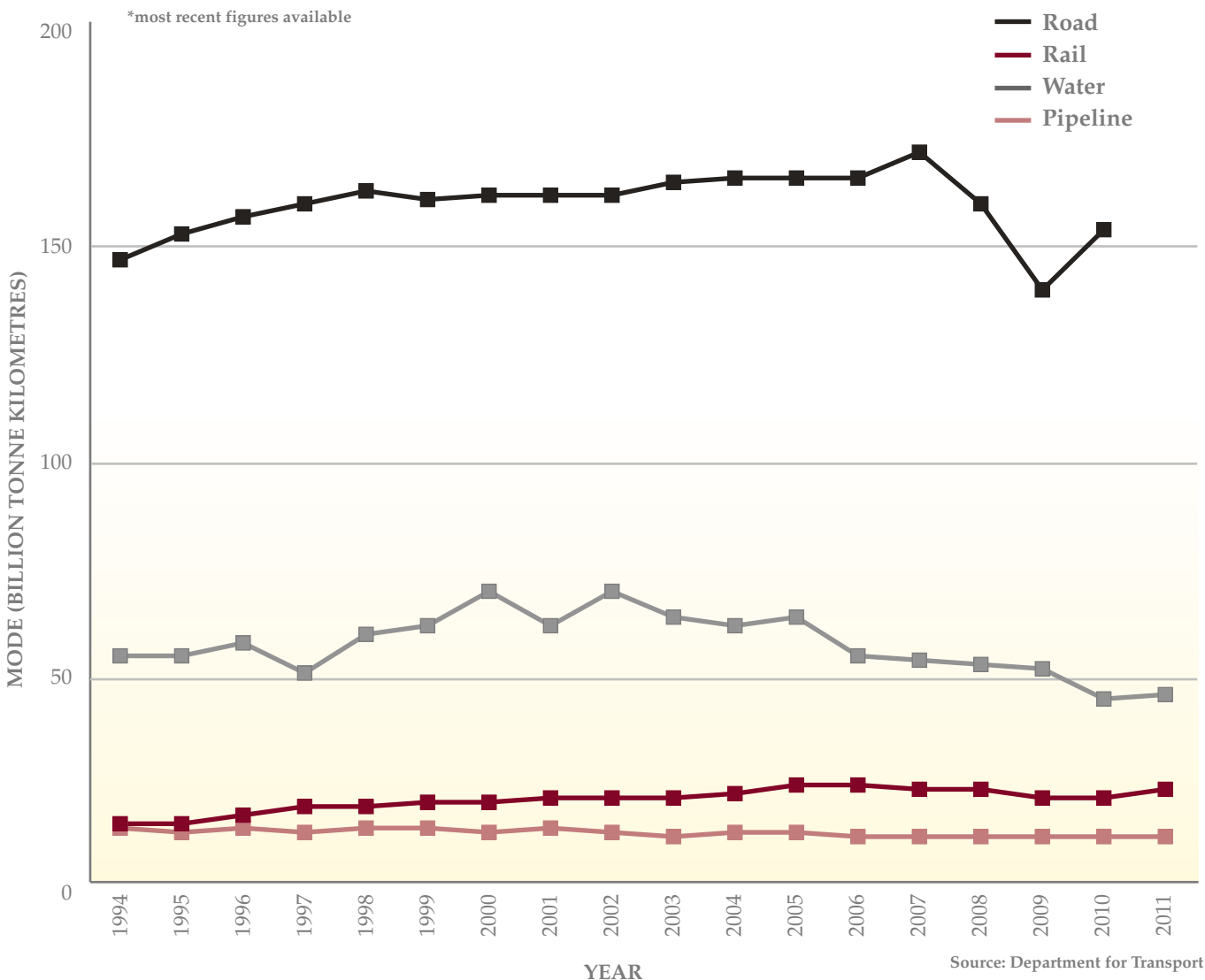
Increased efficiency and competition in the market has also caused costs to fall, making rail more able to compete with road. We expect these trends to continue, and there is certainly significant potential for rail to increase its market share in this sector.

The second part of the intermodal market, so-called domestic intermodal, is the movement of goods for the retail sector within the UK mainland. This is still a small market on rail, but one where there is huge potential for growth.

Retailers rely on a series of national and regional distribution centres, from where they supply their store networks and ecommerce businesses.

Some, such as Tesco, are finding that they can use rail on the trunk flows between these centres, and in some cases even direct to store.

Domestic freight transport by mode (privatisation-2011*)





To date, this has tended to work best through third-party logistics providers such as Stobart, which help to co-ordinate loads and maximise train fill.

On the right flows, they are finding that they can compete on price (even compared with double-deck road trailers), and meet reliability and journey time requirements. The key, however, is locating the warehouse as close as possible to the rail terminal, which is why the majority of the traffic today originates from the strategic rail freight interchange at Daventry, and why there is pressure to develop other similar sites elsewhere.

There are, of course, too many sectors to mention individually, with others including Channel Tunnel freight, steel, waste, Royal Mail and automotive. It all paints a picture of rail freight not as a homogeneous sector, but as a series of distinct markets. For rail operators, and for the rail sector as a whole, understanding this and the respective customer needs is critical to success.

THE CHANGING ROLE OF CUSTOMERS

Rail freight flows are complex and varied, involving multiple parties. Even identifying who the customer is can be complex. Is it the owner of the goods, or the freight forwarder, or the shipping line? The terminal operators play a major role, but may not own any of the goods. Is the port or the power station the customer of a coal flow? Simply, we might consider they all are!

The level of engagement also varies significantly, with many customers content to let their rail operator represent their interests. But as the market for haulage has become more competitive, there has been an increasing trend for some customers to seek a greater

The Port of Felixstowe has recently invested £40 million in the North Rail Terminal. Sixty trains a day run into the port on weekdays but none on Sundays because no paths can be guaranteed. ANTONY GUPPY.

role in determining rail strategy.

This has been particularly linked to investment. The freight operators such as DB Schenker, Freightliner, GB Railfreight and others have invested over £2bn since privatisation in rolling stock and facilities, as well as in systems and technological improvement. Alongside that, customers have invested significant sums in their own facilities.

Recent examples include Port of Felixstowe's investment of £40 million in the North Rail Terminal, and London Gateway's extensive rail facilities. Drax Power has bought new rail wagons and upgraded its internal rail lines, as well as supporting investment at Port of Tyne and elsewhere. Prologis is investing heavily in rail-linked facilities at Daventry, with Phase 3 recently receiving planning consent. Potter Group is extending the headshunt at its Selby facility, to take 775-metre trains. And there are many other examples. ▶

“As the market for haulage has become more competitive, there has been an increasing trend for some customers to seek a greater role in determining rail strategy.”

► This investment often goes unnoticed, but without it rail freight would not be progressing as it is.

And yet if you are a major port, for example, you might consider such investment a leap of faith. You have no control over rail paths on the network. There is no way of securing capacity to enable your investment to be used in the future. The access charge process is profoundly complex. You're not even consulted on network changes that might affect your traffic, while engineering work schedules are planned at whim.

This is not in any way to criticise the rail operators who work tirelessly to represent the needs of their customers in all these areas. But as rail freight becomes increasingly competitive, many customers are seeking their own relationships with government, Network Rail and the Office of Rail Regulation, to gain influence.

THE KEY ISSUES

Despite the diversity of the market, some common customer priorities are emerging.

Top of the list is cost. For freight customers, there is a much closer correlation between operational costs and the price they actually pay than there is in the passenger sector. So, for example, Network Rail's efficiency targets have little (if any) impact on rail fares, but make a direct impact on rail access charges and hence costs to customers.

For elastic markets such as intermodal, rail must compete directly on cost with HGVs. The road market is fast moving, competitive, flexible and (with road fuel duty now held for a fourth year) increasingly cost-effective. Customers such as Tesco price check on a regular basis, and will revert to road as soon as the cost margin tips even a few pence. Rail has different advantages, but they are all secondary to the bottom line.

Even in sectors such as coal, and perhaps steel, where some goods are captive to rail, costs are still a major consideration.

Transport prices influence decisions over where facilities will be located, upgraded or closed. And in a global economy, the decision whether to invest in the UK or elsewhere is nudged by many factors, of which transport is one. So while these customers are unlikely or unable to use road, they are still keenly astute on rail costs.

A key element in reducing costs is increasing the efficiency of rail freight operations. There have been significant gains in staff productivity, asset use and train loading. There are a third fewer freight trains running than a decade ago - yes, fewer - and yet each train is moving more than 50% more goods than it did then. Longer, better-loaded and heavier trains are becoming the norm across the network.

But there is still far more to do. Average freight train speed is a derisory 25mph, and is worse in some cases. If trains sit idle in loops they are still consuming both fuel and driver hours, limiting the number of daily trips each locomotive and wagon set can make. As trains get longer and heavier, their ability to easily accelerate and decelerate in and out of loops is compromised, which brings performance risk. And on top of this there can be inefficiency in terminals and ports, which is often compounded by poor alignment of network and terminal capacity and performance.

This is not easy to unlock, but if rail freight is to take the next step in efficiency - and, dare we say it, pay any more for access - this must move forward. Customers are beginning to understand the issue and to play their part in finding solutions, but it requires collaborative working between Network Rail, operators and customers.

One of the reasons why asset use is difficult is because rail freight is restricted (for good reason) during the passenger peaks, and then constrained overnight by engineering work schedules. You can use a lorry 24 hours a day, but rail has much lower availability.

Over time there have been numerous studies on efficient engineering work (most recently from the Rail Delivery Group), concluding that more work is needed at weekends, or overnight, or in short blocks, or long blockades, and so on. Yet there seems

"The road market is competitive and flexible. Customers such as Tesco price check on a regular basis, and will revert to road as soon as the cost margin tips even a few pence"

to be little progress in arranging the work to enable freight (and passenger) trains to keep moving.

Even where diversionary routes have been provided, Network Rail seems incapable of scheduling work to keep one route open at all times. The Port of Felixstowe sees 60 daily trains Monday to Friday, but not a single one on Sundays, as the engineering schedules cannot guarantee a path.

Customers cannot understand this, and are frustrated at the seeming indifference to opening up this capacity for their use. It is particularly vital for the retail sector, which needs Sunday deliveries for store replenishment.

Making more use of capacity at weekends and overnight may seem to be an impossible challenge to some, but as the rail network becomes increasingly constrained it is surely a must.

Ports and developers planning to construct rail-linked facilities need to understand that they can get a return on their investment, running the services they expect on the network, not just today but also in the future.

As the network gets more and more full, there is a danger that investor confidence will be undermined by the perception (if not the reality) of limited capacity. This is why we are pressing for early certainty over the freight benefits that might be delivered by HS2. We are also keen that Network Rail continues to make progress on delivering and securing strategic freight capacity on the core routes.

SUPPLIERS

Although we have talked mainly about rail freight customers, the supply sector is equally vital to the success of the industry.

Modern locomotives and wagons are critical to achieving enhanced payloads, improving acceleration and braking, and delivering efficiency. Handling equipment, cranes, reach stackers and such like can make the difference in terminal operations, while digital technology also has a major role to play.

The supply industry has invested in research and innovation, but will only do so where it is confident it can make a return, and (like freight customers) its voice is perhaps underplayed in the debate. Perhaps this is an area for the newly established Rail Supply Group to pick up.

MAKING PROGRESS

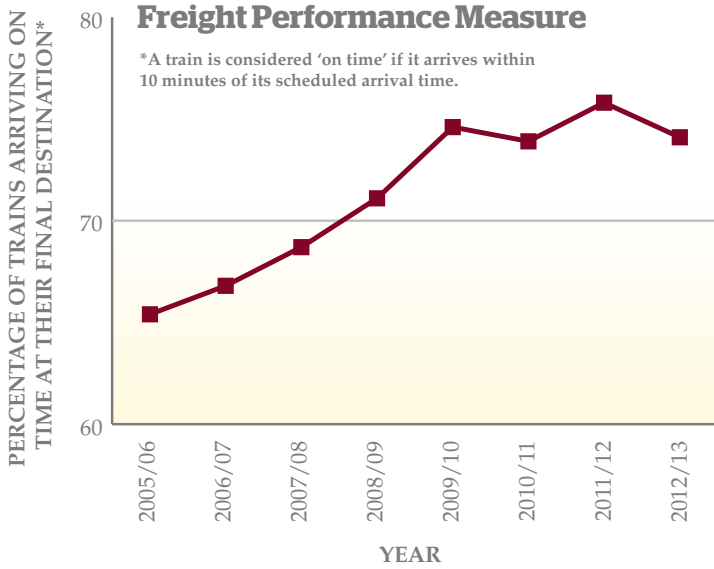
Despite the challenges, there are encouraging signs of progress. Network Rail's freight team has committed more time and resource to end customers with positive results, collaborating on projects such as control rooms at Immingham and Drax to encourage right time performance.

End customers are becoming more aware of wider sectoral issues, helping to inform their decision-making and to understand the challenges and opportunities faced.

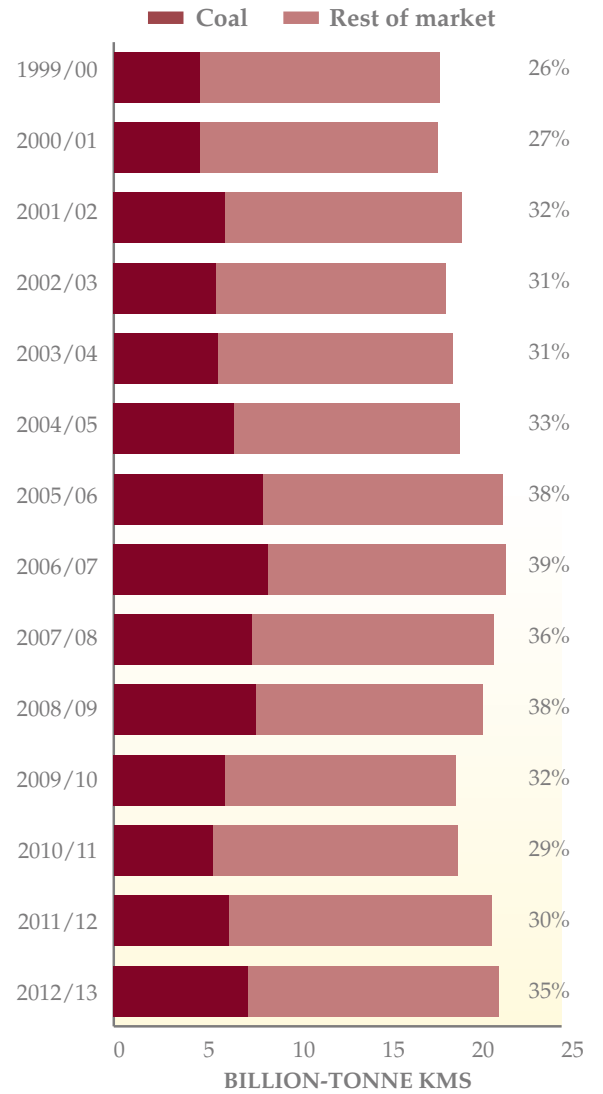
The operators are becoming increasingly comfortable with the new order, and are working together more than ever before. And even the ORR has promised a freight customer panel.

Recognising the voice of the freight customer isn't just a 'nice to have', it's how we will unlock the true benefits of the competitive, private rail freight sector. Working with the rail operators, a collaborative approach is the only way to achieve the next tranche of efficiency benefits, and to secure ongoing investment.

And understanding the diversity of rail freight customers, and why they expect something so different from the rail passenger, is an important education for all in our industry. ■

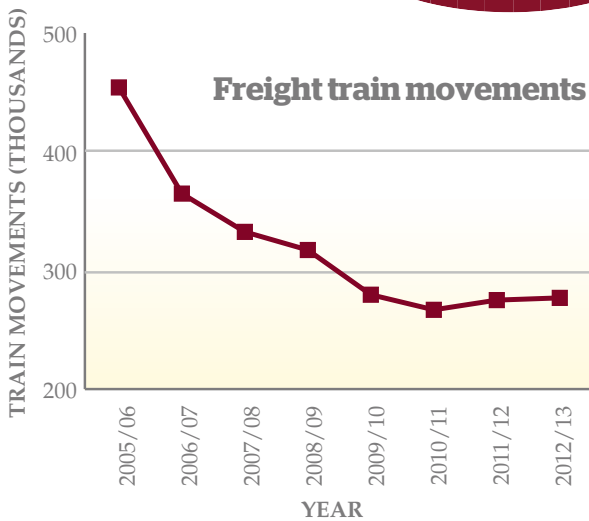
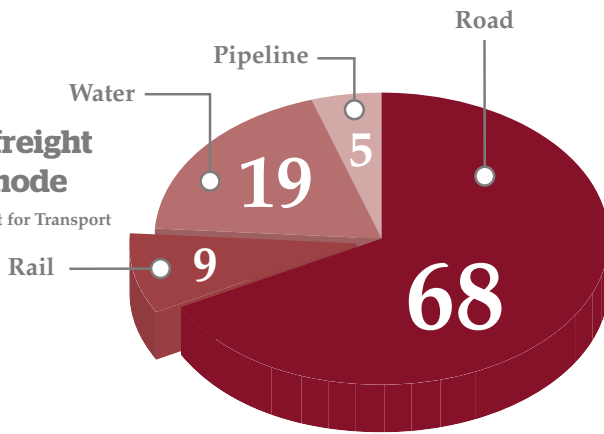


Rail freight moved by commodity



Domestic freight traffic by mode

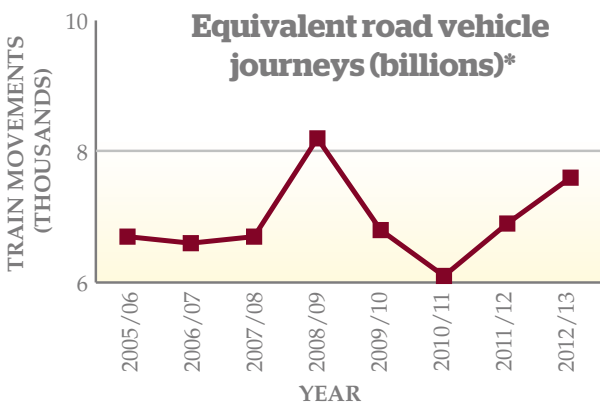
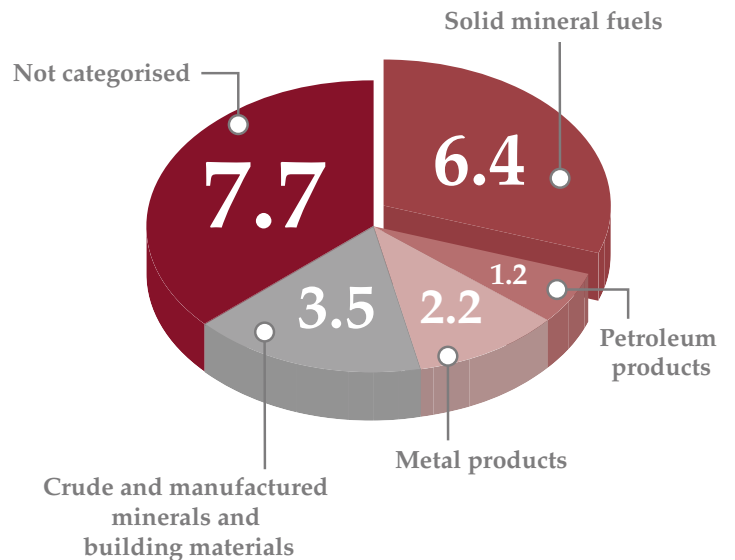
Source: Department for Transport



Rail domestic freight moved by commodity

Note: Volumes in billion tonne-kms. Statistics for financial year 2011/12.

Source: Department for Transport



*The equivalent number of road vehicle trips necessary to move the same volume of freight. Note: While the number of freight train movements has reduced over the period, the amount of freight carried has increased, which is why the equivalent journeys that would be required by road vehicles to carry the same volume of freight has actually gone down.

Getting rail freight right for the customer

The overriding success of the freight operating companies has been their drive to improve productivity, in noticeable contrast to the passenger operators. This is a result of investment in efficient traction and rolling stock, terminal facilities, and flexibility in the way staff are employed. The subsequent lower costs have allowed greater competitiveness for flows that would otherwise not have been attracted to rail.

The role of the Government's Mode Shift Revenue Support (MSRS) grant regime should also be acknowledged. This takes the form of a direct subsidy for the movement of bulk tonnage and containers where the price of road movement is below that of rail. The scheme is justified on the basis of societal benefits, in removing heavy goods vehicle traffic from the roads, and has an annual budget of £18.6 million.

There was a degree of good fortune for the freight operators, in the switch from locally produced deep-mined coal to imported supplies, which has created long hauls from ports such as Hunterston, to power stations. The structure of the privatised industry enabled substantial investment to take place to meet these needs, with the availability of equipment financed by leasing companies.

The number of licensed operators also produces a competitive market that drives innovation in response to tenders.

It is an outstanding statistic that despite continuing growth, the number of train movements has been substantially reduced. This does mask a product weakness, however - apart from the containerised market, which might be seen as a retail business, the increased size of trainloads means flows that may be substantial in road haulage terms cannot be conveyed competitively by rail.

A solution has been tried in the form of a freight multiple unit. And although successful operational trials were carried out, the freight operators have shown little interest in a product that would allow smaller trainloads to be competitive in terms of both the



Mike Jones FRSA FCILT

Former Railfreight National Business Manager

market and winning paths on a congested network.

Maggie Simpson is right to draw attention to the failure of the seven-day railway concept that Network Rail evolved to address the limitation of times when freight trains can be run. In reality, the continuing growth of the passenger railway and demands for greater reliability means it is unlikely that the need for engineering possessions outside the hours of the timetable will diminish.

The solution has to be greater investment in diversionary routes that can be used by freight trains, such as the Joint Line between Peterborough and Doncaster and the type of re-routing possible when the East-West Oxford-Bedford route is commissioned.

There is only passing reference to the potential for international traffic using the Channel Tunnel. Various factors have been put forward to explain the lack of business, and although the tariff structure has recently been made more competitive, I suspect the greatest constraint is the lack of commercial expertise in meeting the requirements of a market dominated by road haulage.

The outstanding opportunity for continuing productivity is the use of electric traction, as the national programme for overhead wiring will give greater network reach.

At present there is no sign that the freight operators are contemplating any change from their current 'diesel under the wires' strategy. However, the order for ten new electric locomotives by Direct Rail Services may be the start of a change in this trend.

Maggie Simpson asks the question: "So what do freight customers want?" And indeed she goes on to answer that question very well.

For the retail intermodal market the answer is fairly straightforward: a customer-focused operation that is reliable, flexible and cost-effective. It seems simple enough, but to achieve this we must have a strong working partnership with a logistics provider (ESL), a rail operator (Direct Rail Services), and, of course, suppliers.

The right product has to be at the right place at the right time. As Maggie points out, this can be a distribution centre or a store. Either way, staff are waiting to deal with the stock - therefore on-time deliveries are crucial to ensure productivity does not suffer and customers can get what they want.

If a road driver calls in sick, the net effect is that one load may not travel. If a train driver calls in sick, we have a situation whereby up to 36 loads may not travel. This situation led to a long-held belief in logistics that rail was not reliable enough for retailers, but this is being proved wrong - every day of every week Tesco sees full trains depart and arrive on time.

This is due in no small part to our rail operator. They understand that as a customer we expect them to deliver, and when issues arise they need to react to minimise any impact on our operations.

As we know, today's customers demand a 24/7 operation. However, as Maggie points out, rail freight customers are frustrated and cannot understand why Saturdays and Sundays seem to be an issue. How can rail freight hope to



Cameron Taylor

Primary Account Manager (Rail), Tesco

compete against road if we can't move for 36 hours?

Of course, there is some Sunday traffic. But much of the time it can't run due to possessions, and it seems inconceivable that we can't get a path out of Scotland on a Saturday night or get a timely northbound path on a Sunday.

Increasing weekend capacity can only be good for customers of rail freight and operators alike. Customers can get the product to where it needs to be, and operators can use assets more productively.

After all, a haulier does not buy a tractor unit just to have it sit idle for 20% of the time. Keeping the wheels turning brings cost efficiencies, and this must be at the forefront of rail freight's thoughts. More and more retailers make use of double-deck trailers, and rail freight has to measure itself against this rather than the conventional trailer.

There is no one size fits all for retail customers in rail freight. Each one demands a bespoke solution, and if the rail freight sector wants to unlock more of the market - such as fresh and frozen food - then this is what it must be willing to offer.

Maggie Simpson has provided a comprehensive update on the different sectors and needs of the industrial and retail market interested in putting their raw materials and goods on rail.

The underlying message is that the commercial organisations have (in most cases) plenty of choice of mode and even location. They are driven by cost and efficiency. It is for our politicians and society, not merely the rail freight operators, to understand the benefits of putting more freight on rail and to make the offering sufficiently attractive.

A 6% increase in tonnes-km moved by rail last year sounds impressive. Linking this to the number of road (lorry) miles saved would be a useful measure in explaining to politicians and voters the wider benefits of increasing freight on rail. It's one of the areas where more needs to be done - for example, to help sell the benefits of HS2 to people who get all the disadvantages of the line disrupting their area, but none of the direct benefits.

The rail freight market (like the road freight market) is completely different to the passenger market - the freight customer nearly always has an obvious alternative in using road haulage, or in specific cases of changing the location and country of its operations..

This brings the key issues that Maggie Simpson has identified into focus. The underlying point, one that I agree with, is that there is still a long way to go to make the way the UK rail network



Mary Bonar
Consultant, Bevan Brittan LLP

is regulated and operated sufficiently attractive to make a real impact in getting freight off our roads and onto rail.

In 2007 the Office of Rail Regulation held a consultation into track access options, and a policy was issued in January 2008.

Most of the organisations that took part were interested in the freight market, but the main immediate output was the Crossrail Track Access Option. The policy does, however, provide an answer to the question of how a port or freight facilities developer could ensure that paths are available for the use of the facility to underwrite the return on investment. This is conditional upon there being sufficient capacity on the Network Rail network.

The market changes identified suggest that it is time for the regulator to look again at this policy, as well as monitoring and enforcing the delivery of the efficiency targets it has just set for 2014 to 2019.

Despite significant progress by Government, the industry and end users, much work remains to be done if the untapped potential for rail freight is to approach anywhere near the level of forecast growth.

Where there was once only one choice of rail freight haulier (BR), now there are several to choose from. Yet most of these will source their wagons and locomotives from the same places, have traincrew on similar terms and conditions, and obtain broadly the same rates for fuel and track access.

If each is to grow their own market, rather than simply poach customers from each other in a race to the bottom on price, the challenge will increasingly be to differentiate - on performance, or margins, or individual service offers based on different types of traction, rolling stock and bolt-on value-added services, such as terminals and road haulage.

With most of the traditional core traffic flows in the bulk sectors being mature or potentially in long-term decline, there are several new markets to tap for rail in the non-bulk sector, including sectors where rail used to have a presence. These will require new mindsets as much as service offers, as the customer requirements can be more demanding, while current traction and rolling stock may not be suitable or in sufficient supply - examples include car-carrying wagons, high-cube conventional wagons and high-speed wagons. Cracking these markets will require a bold and highly entrepreneurial view on performance, as well as investment risk.

There is no doubt that the work being done by Network Rail on upgrading the rail network to cater for taller and longer trains is yielding results that Government cost-benefit analysis would not have predicted. No one is denying that such works require significant levels of investment. Yet comparisons with other countries repeatedly indicate that the cost of maintaining and enhancing the GB rail network remains stubbornly high, suggesting further work is needed to embrace global best practice without compromising safety.

In parallel, recent reductions in cross-Channel access charges should help stimulate this obvious but under-performing sector



Nick Gallop
Managing Director, Intermodality Ltd

of rail freight. Yet this alone will only achieve so much if it remains stubbornly difficult to secure reliable train paths through France, or in turn to achieve seamless pan-European (and now pan-Eurasian) transits that can compete head-on with road haulage and shipping.

The ports have shown how investment in rail facilities can make a significant contribution to smoothing the flow of freight through major import and export gateways.

Where the planning system has allowed, so too have property developers, with inland terminal developments such as DIRFT and Hams Hall. It is hoped that the new planning regime, which has helped expedite consent for the third major expansion phase of DIRFT, will be similarly able to process other inland terminal projects in a similar fashion, to once again create a vibrant and well-populated network of inter-connected terminals, able to reinvigorate the market for domestic rail freight.

Maggie also refers to speed, which should be one of rail's key unique selling points, particularly in the face of a congested road network and retailers wanting to achieve the holy grail of e-commerce - same-day delivery. 25mph is simply not good enough when trucks can average twice this speed, and freight trains can travel at up to four times this speed when allowed.

Speed is a challenge for timetabling planning, traction and rolling stock, but get it right and road haulage won't be able to come close!



A clear process for planning infrastructure

May 2015 and the prospect of a new government is really not that far off now. So our minds must turn to the parties' developing manifesto policies, and the rail industry (as ever, it seems) is not short of attention.

Labour has come up with some interesting proposals for dealing with the track and wheel interface. But an equally important issue is the whole business of how we should go about predicting our railway infrastructure needs - enhancements, renewals, re-openings and new lines - in a way that allows for the necessary investment in the railway to be planned well in advance.

Labour has also been active here - not just in relation to rail in isolation, but economic infrastructure generally. And what is noteworthy is that its proposals, following an independent review by Sir John Armitt (initiated by Ed Balls in September 2012), have received broad backing far beyond its own members and supporters.

INFRASTRUCTURE NEEDS

In September 2013, Sir John published his proposals for how the UK should go about planning its national economic infrastructure needs. That is infrastructure of strategic significance in the following sectors:

- Energy generation, storage, distribution and supply, including renewable energy, fossil fuels and nuclear energy.
- Flood defences.
- Hazardous waste.
- Telecommunications.
- Transport, covering ports, transport networks (including roads and railways) and aviation.
- Water storage, transfer, supply and treatment, including waste water.

This is not planning in the sense of the planning and consenting process for individual projects, but planning at the higher strategic policy level.

Sir John's solution to what is seen by many as often a relatively short-term, random and disjointed approach was to establish an independent National Infrastructure Commission.

This would have to produce a 'national infrastructure assessment' every ten years, setting out the country's infrastructure requirements over the following 25-30 years, based on a thorough review of the available evidence. This assessment would then be submitted to Parliament for its approval via the Treasury, which would be able to propose changes to it.

Once approved, the assessment would be implemented by the government departments concerned within 12 months, to prepare for Parliamentary approval 'sector infrastructure plans'. These plans, which would include a transport plan written by the Department for Transport, would have to be compatible with the national infrastructure assessment, and the Commission would then have an ongoing role in monitoring their implementation.

These proposed new and more structured planning processes make a huge amount of sense to me. They are a logical and workable set of proposals that form the natural next step for the way in which we plan our essential rail and other infrastructure.

HM Treasury's annual National Infrastructure Plan has been a helpful way to focus on the need for new railway infrastructure, but the reality is that the current system is far from perfect.

Network Rail has its own well developed and sophisticated means of looking at investment needs and priorities, which is

intended to feed into the DfT's thinking. And yet we have been waiting since 2009 for a National Networks National Policy Statement to emerge, and only now does it look likely that we will have one in place, approved by Parliament, by early 2015. Furthermore, who knows how Network Rail, now being part of the public sector for accounting purposes, and so subject to greater government control, will affect all of this? My feeling is not necessarily for the better!

HIGH SPEED 3

In addition, we have very significant projects suddenly being conceived from nowhere - for example, what has been dubbed HS3 or the Crossrail of the North, announced by the Chancellor just a few months ago. Or indeed HS2, which was first announced in January 2009 only two years after Sir Rod Eddington's Transport Study had proclaimed "no more grand projects"!

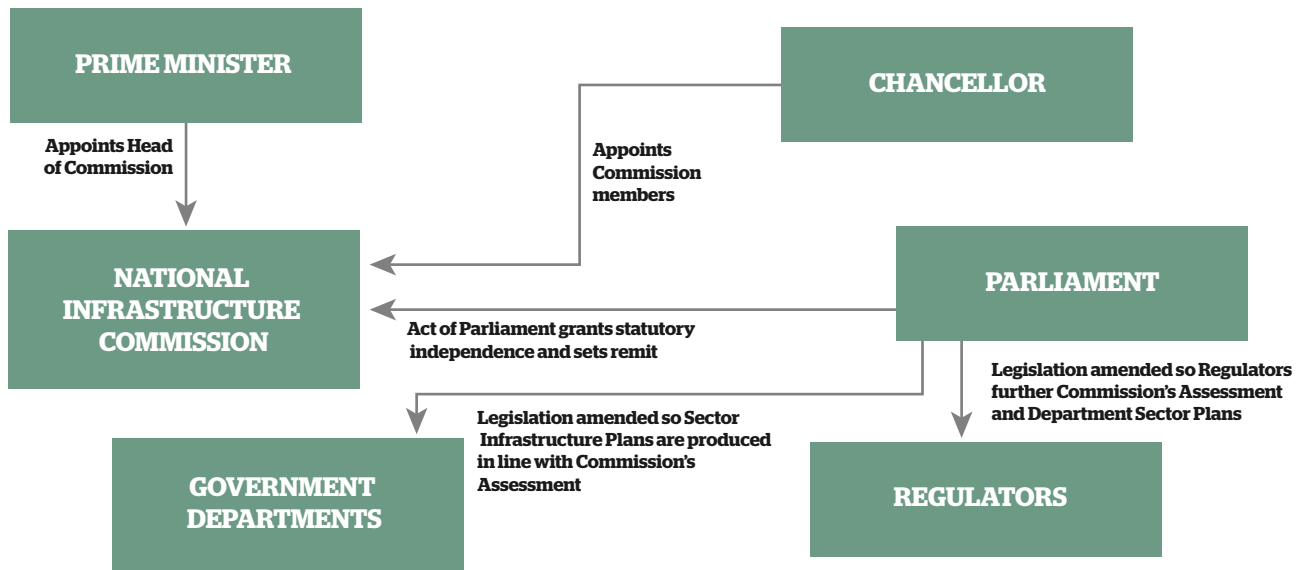
Sir John Armitt's solution received wide support from across the political spectrum and the infrastructure community, even though it had been commissioned as part of Labour's Policy Review.

It was not about taking the politics out of infrastructure planning, but rather to provide a more coherent framework within which the politics on infrastructure planning (particularly prioritisation, given finite resources) would and should take place.

Both the national infrastructure assessment and the Sector Infrastructure Plans would need to be approved by Parliament and (in effect) by HM

"These proposed new and more structured planning processes make a huge amount of sense to me. They are a logical and workable set of proposals that form the natural next step for the way in which we plan our essential rail and other infrastructure."

Establishment of National Infrastructure Commission



Source: The Armit Review: An independent review of long term infrastructure planning commissioned for Labour's Policy Review. Released: September 2013.

Government, and so the normal complex process of national and local politics surrounding infrastructure would continue as now.

In July 2014, these proposals took a firm step forward with the publication by Sir John of a Draft Bill to give effect to his proposals, and a programme of activities required to establish the Commission and get the national infrastructure assessment completed in the 2015-2020 Parliament. These have been welcomed by Ed Miliband, and are intended by Labour to be firmly on the agenda should it win power in May 2015 (either outright or as part of a new Coalition Government).

Drafting a Bill is a highly unusual step for a party when in opposition, but it shows that Labour is serious on this issue and wants to be able to hit the ground running in May 2015. It was also a useful exercise in testing the proposals and so refining them, such as the proposed two-year period for the production of the sector infrastructure plans (rather than 12 months). This was in recognition of how long these things tend to take, and the time that has been required to develop and agree their forerunners, the current series of National Policy Statements.

What is clear is that while drafting the legislation itself is not exactly rocket science, the challenge will be to get the Commission set up quickly in 2015, in shadow form pending Parliamentary approval of the Bill, so that the national infrastructure assessment can be completed by midway through the Parliament.

The Commission will have a lot of existing work to draw upon across all of the sectors concerned, not least the rail sector. And so it will not be starting from scratch - nor indeed would it want to.

It will also be important to make clear that in the meantime, life will carry on as normal. Investment in rail and other infrastructure will not stop (as it did in 2010 with the incoming government); IUK will continue to produce its annual National Infrastructure Plan (in reality a programme of infrastructure projects); and government departments will not stop planning in their sectors.

KEY STAKEHOLDERS

One easy way to demonstrate this would be to make it clear that work on a priority list of rail and other projects should continue, without waiting for the national infrastructure assessment to be completed.

It will also be vital to show that the Commission will fully involve all key stakeholders, as well as the public more generally, in its work.

It is not intended to be one whose commissioners sit in their ivory tower somewhere in Whitehall, but rather a body responsive to all of the key dynamics in infrastructure planning and provision, particularly the differing needs of the English regions and the vital role of infrastructure in rebalancing the economy away from London and the South East.

So for rail, it will be essential to involve the local authorities of our great northern cities, including their ITAs and PTEs,

and (of course) the all important local enterprise partnerships (LEPs).

A further issue is interdependencies. Rather than develop our infrastructure in silos, as I think we are still guilty of doing on occasion, the new structures and approach would force much greater cross-working and planning both within and particularly across sectors, thus making up for the difficulties governments often tend to face in talking to their constituent parts! Rail, and transport in general, clearly touches and concerns many aspects of our lives, and this could be recognised in more depth and detail.

This government has certainly made huge strides in terms of recognising and providing for railway infrastructure's role in the recovery, balanced economic growth and our international competitiveness.

But there is still a way to go in terms of putting in place a system for planning the future of our national railway (as well as other nationally significant infrastructure) in a way that is open, accountable, evidence-based, predictable and relatively certain, while still being driven by our elected representatives in terms of overall direction and priorities. ■

About the author

Robbie Owen is Head of Infrastructure Planning & Government Affairs at Pinsent Masons LLP.

■ Sir John Armit's Draft Bill and the 2015-2020 Programme, published for consultation until October 31 2014, may be found at www.armittreview.org



Is the Rail Delivery Group fit for purpose?

NIGEL HARRIS meets RDG Chairman **MARTIN GRIFFITHS**, to discuss his organisation's role in developing the UK's rail strategy and as a voice representing the industry in the national media

In a privatised rail industry whose first 20 years has frequently been hobbled and compromised by a chronic lack of effective leadership, I had to smile wryly recently when a prominent private sector chief said he was "concerned by the growing number of leadership bodies".

At the annual Atkins company drinks 'bash' at the St Pancras Grand, recently departed Rail MD Douglas McCormick was addressing his couple of hundred guests when he voiced his concerns about (but without actually naming) the Rail Delivery Group and the rather newer Rail Supply Group.

He was clearly concerned about a long period of no effective industry leadership being followed by the arrival of the RDG and RSG. He could, of course, also have added the new bodies currently emerging at the Department for Transport - the Office of Rail Passenger Services, the Rail Executive and the Franchise Advisory Panel.

Maybe we shouldn't raise an eyebrow at this sudden desire for control - it's long overdue that the railway should have a 'guiding mind' other than the Department for Transport.

And this leadership vacuum has gone on from the earliest years. I have been asking "who speaks for the railway?" in RAIL Comments for more than a decade now - especially in the chaotic and febrile aftermath of a fatal accident, or latterly with regard to fare increases, structural issues or costs.

The industry's lack of leadership led to industry commentators (including myself, Philip Haigh, Christian Wolmar and Roger Ford) frequently being sought out to explain and interpret a confusing or controversial development, by an always curious, invariably persistent and frequently downright hostile wider media. Ironically, it was former Railtrack Chief Executive Gerald Corbett who summed up the inevitable outcome of the industry's failure here: "If you don't set the agenda," he said to me, "then some other ***** will!"

I believe that many of the industry's ongoing reputational

problems (especially around fares) were triggered by this lamentable lack of leadership, and then made worse by a condescending PR approach that treated the media and its readers/viewers like fools. The industry has paid a heavy price, for example, for its head-in-the-sand refusal to amend its 'kick-me' annual fare increase approach, in particular.

To use the now discredited 'flex' system to ruthlessly jack up fares on busy routes while leaving lightly used routes alone, in order to stay within the required average, was always cynically manipulative.

What was worse was the Association of Train Operating Companies' ludicrous claim that it "didn't know" what the maximum fare increases were. Even my schoolboy maths knows that if you know the average, you must have started with the highest and lowest fares.

ATOC clearly believed that if it persisted with this ludicrous PR policy for long enough, then passengers would come to regard the annual January hike with the same weary, accepting resignation that council tax increases are regarded each year. That will never happen, and it was foolish to ever believe it would. Meanwhile, the reputational damage has been immense. Thank goodness that in the pre-election politicking, the 'flex' that led to this was abolished.

Can RDG put this reputational damage right with regard to fares?

Let's take a moment to remind ourselves of how we got to where we are. RDG emerged post-McNulty, with a focus on what this report saw (rightly) as excessive unit costs. RDG comprises Network Rail, the principal passenger franchise owning groups, and representatives from the larger freight companies. RDG is self-created, with self-appointed members, has no formal accountability to anyone, for anything, and at the outset it chose to exclude the massive supply industry from its top table.

RDG is uncomfortable (and can be prickly) with descriptions like this. But it's nonetheless true, and is important given that it claims to 'speak for' and 'represent' the entire industry. Contractors and suppliers are represented in second-tier RDG structures and workgroups, but are not members of the top table.

At first this caused massive discontent among those who believed themselves to be excluded from a leadership body for an industry in which they have very long-term interests, but which was about to be led (as they saw it) by short-term franchise holders of insufficient experience and questionable ability and credibility.

One high-profile early critic effectively summed up this view: "If this was the aviation industry, you would not have an organisation speaking for the whole industry which consisted entirely of airlines - including some relatively tiny companies. You'd want Boeing and Airbus in there alongside BA, Ryanair and Flybe. Otherwise it would be a nonsense."

Others who saw themselves as 'left out' were, behind the scenes, spitting blood about the RDG's selective approach to membership, with its focus on (as it was put to me) "here-today-gone- ➤

"I've heard the challenge about why some of the supply chain and ROSCOs are not in RDG. But at the end of the day, in any organisation and in any industry, that doesn't mean that these people aren't important, or involved. But if I had everybody who wanted to be on the RDG around the table we would fill Wembley Stadium."

► tomorrow passenger operators”, to the exclusion of massive companies with billions of pounds, euros and dollars committed for maybe the next 30 years.

One particular critic - a very large global multi-national with major UK interests - was especially blunt: “Why the hell should National Express, with a single, tiny TOC on the north bank of the Thames, have a full seat and voice at the top table, while we are restricted and relegated to an obscure back-room working group?”

I wrote several RAIL Comment pieces sympathising with this view, especially in view of RDG’s near-total silence during the darkest days of the HS2 debate in the summer and autumn of 2013.

How, I asked back then, could a body that boasted of its representative leadership credentials banish the industry’s most committed, involved and long-term players to the dressing room while failing to support (or even comment in detail on, for several months) what will be Europe’s biggest civil engineering project - building HS2? You cannot ‘talk the talk’ without ‘walking the walk’, and at that time RDG was consistently failing the credibility test.

Not for the first time, my phone and email in-tray buzzed with confidential messages of support for a view that seemed to command significant agreement in private but a good deal of tight-lipped frustration in public.

In dealings with the DfT, I sensed a similar unspoken frustration, and was beamed the message that they had made clear to RDG that the suppliers must not be thus excluded. Even though it was all done by raised eyebrow and implication (in true Sir Humphrey style), the message was clear.

Any criticism of this situation was routinely, if politely, dismissed by RDG and those around it. But behind the scenes, things were happening. There had been a skittish early spell, when it was undoubtedly difficult to keep all the key players even in the room, let alone talking to each other. And RAIL was discreetly urged to ‘lay off’, in order to give Tim O’Toole a chance to bring the nervous factions together more permanently.

Let’s not forget the weeks and months after the West Coast franchise fiasco. Having Virgin and FirstGroup sitting across the RDG table from each other as full members of a relatively small leadership group must have been challenging for everyone.

There followed a period when former DB Schenker Rail (UK)

“I hope you will have seen a stronger approach through a number of different publications, articles and reviews. When it’s appropriate for the RDG to speak we WILL speak. We will have a voice on these issues, and I think that’s important.”

Planning Director Graham Smith acted as Director General (a one-man, full-time staff) - a period during which it was also reported that RDG had launched a very serious bid to take over the Rail Safety & Standards Board (RSSB). The intention was to give RDG an executive and back-office staff to give its role and presence solid credibility, but this did not come to pass, and eventually RDG won its full-time staff, presence and critical mass by merger with the Association of Train Operating Companies.

Meanwhile, the Rail Supply Group (RSG) was born, to better represent supply chain interests to government (and RDG!).

Overnight, it seemed, the high-profile angst and dissatisfaction gave way to a joint love-in and charm offensive. Supplier critics who once sought to highlight RDG’s unrepresentative nature were suddenly full of praise. All talk was now of integrated, complementary effort, teamwork and partnership. The critical companies of a few weeks before were now love-bombing me with messages of support for RDG. It was extraordinary.

After two and a half years as chairman, the clubbable and effective Tim O’Toole, whose considerable business and interpersonal skills had prevented RDG melting down into a talking-shop group merely serving their own business interests, had given way to Stagecoach Chief Executive Martin Griffiths, who took RDG’s top job.

At the time, I knew Griffiths only by reputation (effective, driven, successful, unflinching), and so asked for an on-the-record interview to find out where RDG (and RSG, come to that) was going. This was immediately agreed to, and was followed up by a dinner invitation with not only Griffiths, but also RSG Industry Co-Chairman Terence

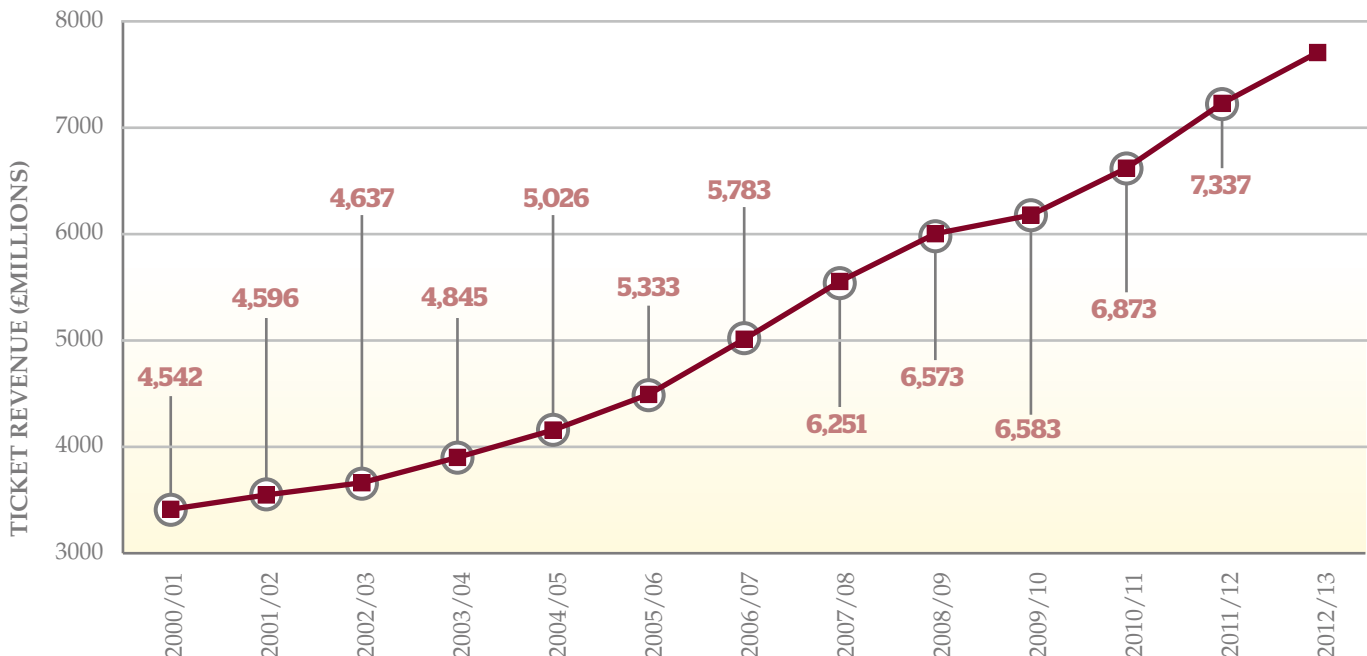
Passenger revenue (annual from 2000)

Note: Franchised operators only.

Source: Department for Transport.

*Adjusted to 2012/13 prices using the GDP market price deflator.

Key: Equivalent in today’s prices*





Watson (Alstom's UK president and transport managing director), accompanied for good measure by RDG Director General Michael Roberts, who still runs ATOC as its Director General but who is now frequently the voice and face of RDG's media output.

I therefore approached this interview with considerable scepticism. On the one hand, I support 100% the notion, aims and reality of the RDG - it just seems to me to have misfired from the outset, leading to disappointing outcomes and limited impact. It's to RDG's credit, given the strength of my criticism, that its officers were so relentlessly welcoming, cheery and (on the face of it) open.

In Round One of our on-the-record encounter, we met at ATOC's rather swish tower block offices in the City of London. Martin Griffiths was throughout friendly, jovial and refreshingly ready to answer any question, so we started with a simple one.

What is RDG actually for?

"The Rail Delivery Group was a response to Sir Roy McNulty's review of the efficiency of the rail industry - but we are going beyond that now," he replies.

"RDG is about strategic leadership, and for me its greatest strength is that for the first time we have the chief executives of train operating companies, freight companies and our partners at Network Rail sitting together discussing the major issues affecting the railways today, and thinking about how we deal with the positive challenges that we have over the next 20 years."

INDUSTRY-WIDE SOLUTIONS

That's great in outline - but specifically?

He answers: "How do we actually take the railway forward and accommodate the growth that I think we will get - and what does that mean for capacity, rolling stock strategy and efficiency?"

"Some of that the private operators will have their own views on,

and some of that will be in the domain of bidding and what you can do as an individual company. But a lot of those issues are industry-wide, and so we need to find industry-wide solutions.

"For years we have had this adversarial relationship with Network Rail, about whose fault was it, but the passengers really don't care. Their issue is: 'why was my train late and what are you going to do about it?' Unless we are prepared to find the best answers, we are not going to make any progress."

But surely this has been obvious for years? The silo thinking he's talking about has been highlighted by commentators from the first days of the newly privatised railway in the mid-1990s.

Griffiths does not disagree, which, he says, explains RDG's search for the executive basis it found in its marriage with ATOC. He claims that the operating community has matured, and that there is now a real desire for partnership and collaboration (not least with Network Rail) on those areas of genuine industry-wide interest.

"We just didn't have a structure," he explains. "That's why last November we decided to put together a strategic leadership organisation with an executive capability that can allow us to more aggressively pursue some of the things on our agenda.

"So we merged with the existing ATOC team, seconded some Network Rail staff, and created that executive structure under Michael Roberts as the director general.

"For the first time we felt we had real firepower, and although we still have a way to go on the journey, we need to think through exactly the role that we play. We need to highlight what we bring, and work in partnership with whatever government we have. One of my goals as we approach the next General Election is to see how we do that in the short term, while more importantly making that relationship work for the industry in the longer term."

Griffiths is honest about efficiencies. He is, for example, ►

“In my view, we shouldn’t really spend our time in narrow debates about, for example, whether we should have state bidders for franchises. There are much bigger challenges for the railway in the next 20 years, and that’s really where politicians should be focusing. Where do we want our railway to be in 20 years? Can we meet our growth aspirations? What does that mean for capacity? What does that mean for our rolling stock strategy?”

► cautiously optimistic that Network Rail will deliver as planned in Control Period 5, and that the 20% efficiency savings promised to the Transport Select Committee by then NR Chief Executive Sir David Higgins and then RDG Chairman Tim O’Toole will probably be delivered. And he candidly concedes that some potentially major savings highlighted by McNulty are theoretically possible, but practically unlikely in today’s political context.

“The passenger train and freight operating companies continue to strive to be as efficient as we can,” he says carefully. “But I’ll be honest, Nigel, there are areas like Driver Only Operation in which yes, theoretically you could say there are efficiencies - but in terms of the wider industry and industrial relations, they are not necessarily deliverable.”

At least that’s an honest answer, even if the missing words are “... until the Government gives us the required support and air cover”.

Because he’s right. There ARE very significant efficiencies to be had, although the *sotto voce* instructions to TOCs from government has thus far been: “Do what you like, but don’t have a strike.”

This is one area where Whitehall plays a frankly sneaky game. It often criticises TOCs in public for not pursuing savings, or for perceived rip-off fares, while behind the scenes either denying the air cover needed to pursue DOO or (as regards fares) playing a key role in driving fares up and then keeping quiet while TOCs take the rap.

To be taken really seriously, RDG needs to go further than Griffiths’ rather coded language. But of course, no one wants to ‘bite the hand that feeds’ by criticising DfT. I welcome Griffiths’ small steps and appreciate the tightrope he walks - but RDG needs much sharper teeth if it is to be what he clearly wants it to be, in my opinion.

In Griffiths’ own oft-repeated words, RDG has “a long way to go”, so we’ll continue to watch and wish him well in this endeavour. He is especially pleased with more non-contentious work done by RDG (and led by Tim O’Toole) on asset management and supply chain management. He believes RDG has gone way beyond what it was believed was possible here.

I ask about RDG’s credibility and authority, given its non-statutory, self-appointed nature and its accountability to no one. The answer is urbane, but I’ve touched a nerve.

“I think you’re unfair to say it’s self-appointed,” Griffiths answers. “It was a leadership group that came together - was asked to come together by the Government and by DfT. The then Secretary of State said we needed to see how the industry could respond to the growth and efficiency agenda, and also provide the right leadership.”

Unsurprisingly, given my scepticism and Comment page criticisms of the past few months, Griffiths heads off what he believes will be my next question.

SUPPLIERS ARE REPRESENTED

“I’ve heard the challenge about why some of the supply chain and ROSCOs are not in RDG. But at the end of the day, in any organisation and in any industry, that doesn’t mean that these people aren’t important, or involved,” he explains.

“But if I had everybody who wanted to be on the RDG around the table we would fill Wembley Stadium, we’ve had so many knocks on the door!”

I counter that if this was aviation, any similar Delivery Group would most likely tell only half the story via membership of Ryanair, easyJet and Flybe - you would also want Boeing and Airbus. Surely,

including suppliers would deflect the accountability argument and enhance RDG’s credibility?

Griffiths is having none of it!

“Just to be clear,” he counters. “Suppliers ARE represented, in a number of RDG’s work and sub-groups, and their role is very important. That’s working well, and the other thing that we encourage - and I’ve been speaking to Alstom’s (and the RSG’s) Terence Watson about this - we now have a clear working relationship with them, so RSG will come and regularly update RDG on what they’re doing and their priorities.

“Equally, my colleague Tim Shoveller [South West Trains Managing Director] is on that Rail Supply Group and is my alternate on the RDG, so we have full interaction there.”

This duplication still strikes me as odd - and expensive - to a private sector that normally avoids excessive costs like the plague. I remind Griffiths that I was sought out and lobbied by big suppliers who were, frankly, spitting blood about exclusion from RDG. Isn’t RSG’s very existence proof of my point?

“I can’t speak for them - I can only tell you about the very constructive dialogue I’ve had with someone like Terence - and he didn’t run out and form the RSG because he wasn’t on RDG,” says Griffiths. (Which is an interesting answer to a specific question I didn’t even ask!)

“It wasn’t like that. His strategic agenda for RSG was to say we are punching way below our weight here. He is rightly saying that while some of the companies involved are not UK companies, they do operate here, have big workforces, and should have a bigger voice.

“I think that RSG’s formation was more a response to some of their internal issues, rather than their supposed exclusion from the leadership of the industry. I think we work very hard to make sure that they ARE included - but you just cannot have everybody around the big, wooden table.”

TOC REPRESENTATION

I don’t disagree, but point out that prioritising isn’t difficult, in this instance. There’s plenty of TOC representation at RDG - but is it right that National Express, for example, with its one very small Essex Thameside operation, should occupy a full seat at that table while the giant multi-national Alstom, for example, or Siemens, which has billions of euros of ‘skin in the game’ for maybe the next 30 years or so, is excluded? It just doesn’t bear logical scrutiny.

“And they are very important, I’m not belittling them or their contribution at all,” replies Griffiths.

“We have a good relationship, and in terms of some of the specific work loops like rolling stock...”

My repeated question as to why not have them at the top table merely elicits the repeated answer that the table isn’t big enough.

Griffiths isn’t giving a millimetre: “It doesn’t mean the relationship isn’t important, and it doesn’t mean that we don’t want to leverage off their skills and their knowledge at the right time.

“You’re using the opportunity to say National Express has a small franchise. Interestingly it has had that franchise confirmed and renewed, and it is going to be bidding for more. National Express, over the long term, has been an important player in UK Rail.”

He continues: “You could argue for better or for worse, but we think it’s been working, and we have to make sure that it is an inclusive group while recognising that at the end of the day you just

can't have everybody. We think we have a good structure for leading the industry, going forward."

It's certainly true that since the formation of RSG, the cacophony of supplier anger about RDG has receded. But I have to ask the obvious question: will RSG and RDG merge? Evolve into a single organisation?

"There is certainly no plan for that at this point in time," says Griffiths. "What we want to do is work together for the benefit of the industry and all its stakeholders."

We move on. I ask how a group of competing TOC owners, all with clear legal and corporate responsibilities to put their shareholders' interests first at all times, can collaborate fully or effectively in the way we all want to see. Given that we've established that membership does not comprehensively represent the industry as a whole, can we be sure that corporate rivalries and individual responsibilities will not hamstring real progress on matters that affect everyone - especially those denied membership?

I mention that the atmosphere around that famous table must have been thick with tension between Virgin and First, during the West Coast franchise debacle. Given what they were saying about each other in public, how could they collaborate effectively in private?

"You're right," says Griffiths. "There will be times when different groups will have their own commercial interests to think about, protect, look after - whatever way you want to phrase it. But generally, in my experience - and I have been there largely from the very beginning - I think I've been at every meeting, and what's discussed behind closed doors stays behind closed doors."

"But I think I can be very honest and say that largely we've had only positive discussions. We recognise that sometimes we have to deal with our own commercial interests, but when we are here we are sitting trying to represent the rail industry and do the right thing for the industry as a whole."

"Even out of the awful West Coast procurement came some real positives, and I would never have thought that was possible! I was tasked to investigate how the industry could respond to the challenge of the Brown review. We wanted a collective response through RDG and, as you say, at that time things were sore."

"FirstGroup and Virgin both felt very aggrieved about the franchising process - but RDG was at the forefront of an industry submission to Richard Brown's review, and I was actually very proud

of that. For me that was one of the first big tests of our ability to put our personal positions to one side, and come together and say 'if we don't fix this we might not have an industry, because we really can't afford not to have a procurement process that is not fit for purpose'.

"Everybody came together and participated in it, and I think the industry takes great credit for that."

HIGH SPEED 2

I ask how his claims about RDG's industry leadership dovetail with its silence over a very long period about HS2, which will be Europe's biggest infrastructure project? Long before RDG's birth, ATOC was extremely lukewarm (if not indifferent) about HS2, which it clearly regarded more as a competitor for government funds.

"We will look to try and address that. I hope you will have seen a stronger approach through a number of different publications, articles and reviews. When it's appropriate for the RDG to speak we WILL speak. We will have a voice on these issues, and I think that's important."

Although there's no mention of RDG on the wall in ATOC's reception, there's no mistaking the bigger presence and increased momentum to its activities since the ATOC merger. Does RDG now have the critical mass needed to make a difference (alongside a solid PR policy), and the courage to pursue it?

"It has helped that we now have Michael and his team to help put a day-to-day support structure in place," he agrees.

"There was no doubt that was a challenge over the previous 18 months. I have a lot of time for Graham Smith, who was a kind of one-man band supporting Tim, but that was never sustainable. Now we have the full effect of the ATOC resource behind us. That makes a huge difference in our ability to really be on top of issues."

Is it correct that RDG made an attempt to merge with or even take over RSSB, in its search for critical mass and credibility?

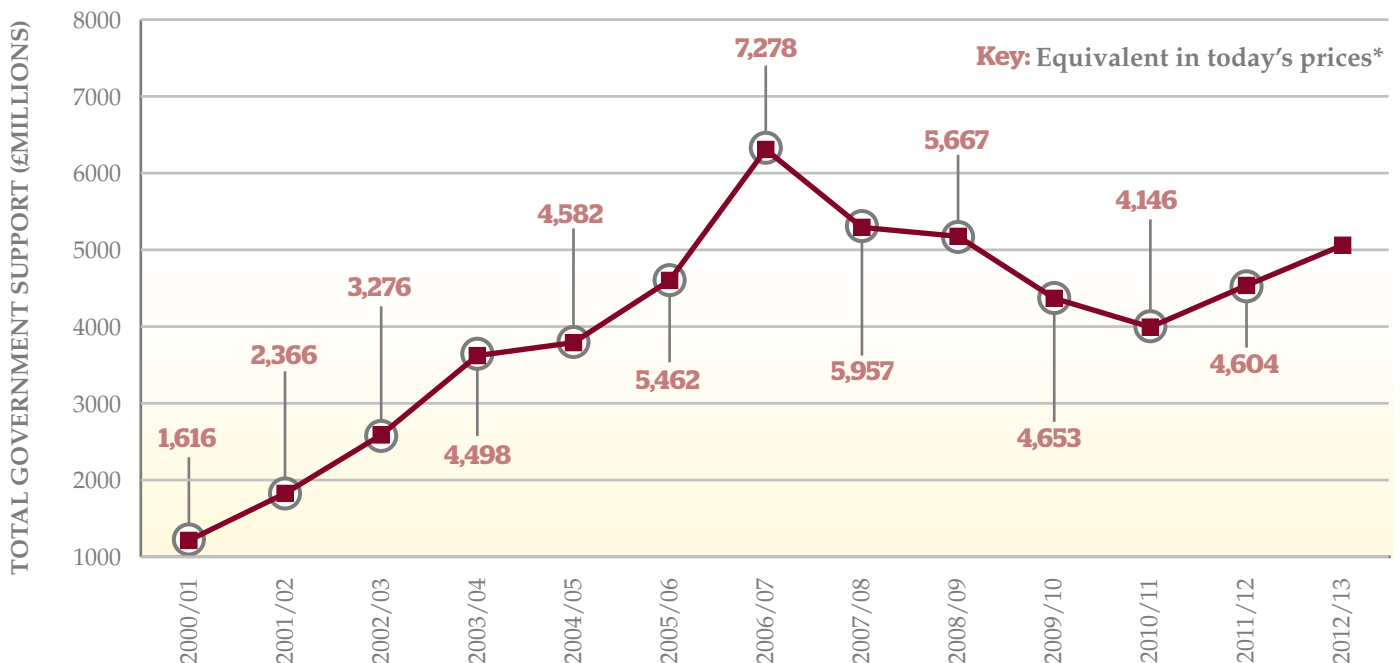
"Whether you call them takeovers... mergers... for me there is still a debate to be had, and it is still ongoing about the whole industry structure. The one thing I said at the very beginning here on RDG is 'if all we do is form another talking shop, and we don't start to streamline the structures and decision-making, then we have failed'.

"If we were to put the industry structure on that whiteboard behind you, with all the different overlaps, I think we'd agree that you would not run a normal company or corporate structure or ►

Government support to the rail industry (annual from 2000)

Source: Department for Transport

*Adjusted to 2012/13 prices using the GDP market price deflator.



► any other body like that. The industry is still sub-optimal, so we're working closely to try and cut out some of the duplication. If you're showing leadership that's what you need to do. I think we've made some progress, but we are nowhere near finished.

"So here's my RSSB feedback to your question, because I haven't answered it very well: you can't lead the industry if you don't have an oversight of safety - you just don't. So whether that responsibility comes through the Network Rail side of RDG or whatever, it is important that RDG is sighted on RSSB's plan, work and process, because RSSB is so critical."

So there was a discussion about taking over RSSB?

"There is an ongoing discussion about how we best interact with RSSB," he replies, which still doesn't answer my question. "It would be misleading to say that it was a merger or a takeover - but how do we make sure we are each sighted on what we are doing?"

"That discussion has started with RSSB Chief Executive Chris Fenton. Mark Carne, from RDG's point of view, is a sort of sponsor for RSSB, and that works well, I think.

"Mark is totally focused on safety - particularly workplace safety - and that's good because that underpins everything else in the rail group. We must continue to get that right."

Having got his feet firmly under the table at RDG, how does Griffiths see its current state of development? Is he happy with its rate of progress?

"It's only six or seven months since I took over, but it seems a lot longer than that! And yes, I am happy with progress," he says.

"I actually feel that there's an awful lot going on not only in terms of the areas that we are looking at - technology, people, asset management, stations, franchising - but also in terms of the more public things that we have been getting involved with. This includes HS2, our ability to speak to both current and potential policy makers."

This is a crucial area of work that the industry as a whole has not done well since privatisation. Indeed, this is one job (research and development is another) that the unified British Rail did especially well - and much better than the privatised railway to date.

Its 'This is the Age of the Train' TV campaign entered the public consciousness so deeply that it even sparked a me-too derivative promotional ads campaign among Britain's steam and heritage sector, under the heading 'This is the Aged Train' and featuring one of the Bluebell Railway's steam locomotives. And while we look back in horror at Jimmy Savile now, at the time the series of TV ads he fronted were powerful and effective in marketing the railway as a whole.

Since privatisation, fragmented agendas, budgets and strategies have meant no overall voice for the railway in either promotional or PR terms, so I welcome and applaud RDG's attempts to raise the level of understanding about railways. A series of press releases

giving context and wider understanding is long overdue, and (I believe) crucial in the long-term task of increasing awareness about our railways.

Does Griffiths see RDG's job as speaking to policy makers or the public?

"Both," he answers, without hesitation. "Clearly we have a job to do to respond to the public, and make them aware of what's going on and respond to their needs.

"But yes, it is crucial we speak to policy makers both current and potential. We need to make sure that if politicians want to change or tamper with the industry structure, I would feel that I had failed if we didn't give them the right information, facts and evidence - rather than rhetoric or hearsay - to inform their thinking and decisions.

"So the KPMG report did a great job highlighting growth and perspectives. That has now been updated, and it publicises some superb statistics about UK rail and what is does for the country.

"In my view, we shouldn't really spend our time in narrow debates about, for example, whether we should have state bidders for franchises. There are much bigger challenges for the railway in the next 20 years, and that's really where politicians should be focusing.

"Where do we want our railway to be in 20 years? Can we meet our growth aspirations? What does that mean for capacity? What does that mean for our rolling stock strategy? Frankly, compared with those really massive issues, whether or not we have a small state-owned entity bidding for franchises isn't relevant (in my view) to finding answers to these much more fundamental challenges. Yes, they are certainly opportunities, but they are also challenges which we need to rise to."

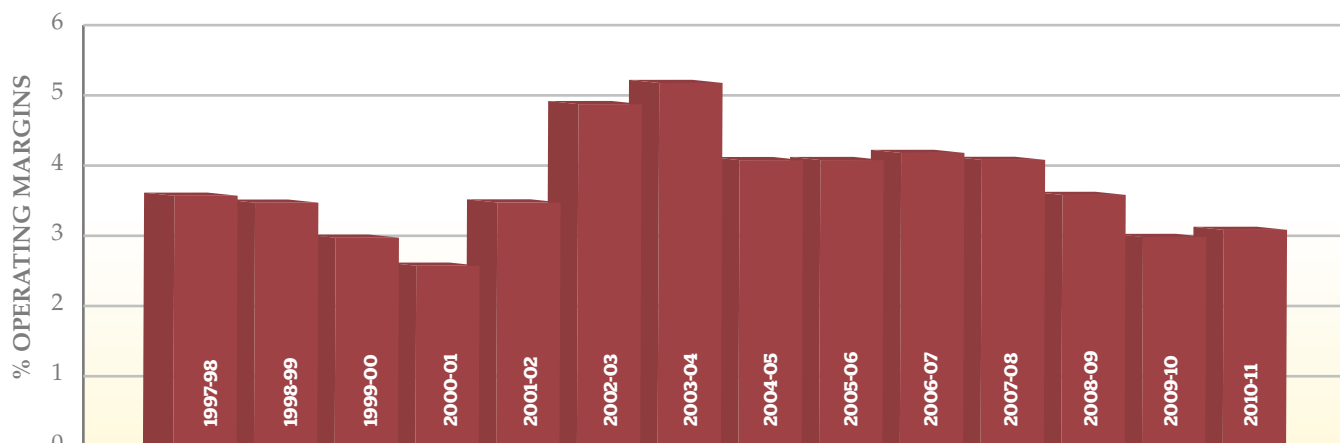
Well, he would say that, wouldn't he? But Griffiths' argument is underpinned with a logical and coherent argument.

As a private sector player, he is used to risk. And he knows a franchise bid can cost up to £10 million with a one-in-four/five chance of winning. Provided the playing field is level, he'll take losses on the chin - but he believes that a state bidder tilts the playing field and exposes the taxpayer to risks and costs that rail privatisation was supposed to pass elsewhere.

I also venture the view that the West Coast franchise farce pushes you towards the view that the state just wouldn't be that good at franchise bidding? This clearly strikes a resonant chord.

"That's an interesting comment," he says with a wry smile. "I'm just about old enough to remember that Transport for London did precisely this when the bus companies were privatised. It decided that, even though it had all the contestability and bidding in the bus market it needed, it would keep an operator. So, a state-owned operator placed bids for contracts, but it lasted only about 18 months before being abandoned - they didn't win anything, and couldn't justify themselves in the market relative to the private sector. So I

Average TOC Operating Margins



Source: ATOC Growth and prosperity report, published July 2013.

“RDG isn’t going to shy away from difficult discussions with government about north-south funding or pricing,”

just think for me, it’s a route that we just don’t need to go down - and I very much hope we don’t.”

His view is that, notwithstanding the West Coast collapse, we have a model that works, and that now the franchise procurement procedures have been so robustly fixed by Interim Franchising Director Pete Wilkinson (now Director of Franchised Passenger Services), we should get moving with confidence.

The interregnum caused by the West Coast collapse has cost at least two years, and we have seen no fewer than seven Direct Awards - effectively extensions of existing franchises. These have secured improvements for passengers and kept the ship afloat, but the franchising behemoth that was becalmed by West Coast really needs to start rolling again with confidence, he says. RDG and its members will continue to lobby and inform governments (whoever is in power, he says), and they will deal with whatever regime emerges.

“That’s the way the world is,” he shrugs.

PRIVATEER FAT CATS

On that subject, how does he intend to deal with the public perception (fuelled relentlessly by the unions, in pursuit of their state ownership agenda) that the industry is run by uncaring, arrogant privateer fat cats who make excessive profits from rip-off fares and put absolutely nothing back?

“You’re right, we really are up against it here,” he acknowledges. “We have to keep communicating the positive story about what the industry is actually delivering. To the average man on the street, the real misconception - which is just wrong - is of high fares, high profits, and greedy capitalists...”

“Actually it isn’t like that at all. There has been £3.5 billion of additional revenue in UK rail since 1986/87, and 94% of that growth has come from increased passenger volume. A very small amount has come from fares.

“Profits (and we do need to make profits, actually!) over the last few years have gone up 2%-3%, and in real terms profits are less today than what they were in 1986/87. And to be honest, I don’t think we make enough profit for the risk management time that we put in.”

Stagecoach is known for its very tough financial philosophy and approach. If that’s true and you’re unhappy with the margins, why is the company still here in railways?

“Because I still think from a shareholder point of view it’s a good industry, and now with the right structure, and so we can make a sensible return despite it being a very different business from the bus business.”

So relatively low returns are OK because they are stable over a long period?

“Yes, it’s steady. And in absolute terms it’s still a decent number, which justifies the management time we put into it.”

We return to fares, because Griffiths is clearly sore at what he believes are wrong impressions about TOCs. And he’s bullish on justifying some First Class fares.

“Yes - some fares relatively have gone up, but there are also plenty of great discounted fares now. But here’s another argument. The Germans and French have subsidised their First Class and business fares for years and years - but I believe that we shouldn’t do that.

“If a businessman wants to walk up ‘on the day’ to travel and go First Class on my train to Manchester, and it costs him £370 - so what? We shouldn’t subsidise that. If a well-heeled businessman wants to pay high fares for on-the-day travel, then we should not have a problem with that.



“What’s important is that with a bit of forward planning and thinking, if someone wants to go off-peak or plans their journey well, they can get a huge discount. That’s the model I aspire to, and I have no problem with that.”

But what if this means a creeping threat, and the eventual end of the affordable walk-on railway?

“I don’t think that will happen.”

I recall an early morning CrossCountry peak trip from York to Derby on a Friday - standing all the way on an overcrowded train, with multiple en route reservations of seats. It was a horrible journey.

“Certainly, there are challenges around capacity,” he agrees. “I accept that, and we are a victim of our own success in that sense. So how do we make the railway fit for the growth that is going to come over the next 20/30 years?

“But go back to the man on the street, which is the challenge. Ten or so years ago the Labour government made the call to change the funding of the railway, and it was probably the right call.”

I passionately disagree that going from a 50/50 share with the taxpayer to 75/25 was most certainly not ‘the right call’, with its inherent implication that those who do not use trains derive no benefit from the railway. That is arrant nonsense.

“Well, it’s been successful in the sense of changing the financial economics of the funding of the railway,” counters Griffiths. “But I do take your point regarding some individual passenger journeys. But while that was what they set out to do, we could reverse that tomorrow, Nigel!”

50/50 FARES SPLIT

Really? Would RDG oppose Government policy, and campaign on that to go back to the 50/50 fares split with the taxpayer?

“You do build sustainable transport businesses on low fares.”

So that’s a yes, then?

“Absolutely! Yes, it’s a ‘yes’ - although it comes with a ‘but’ too,” he says. “And the but is this: if you take the Stagecoach business ▶

► model over a long, long period, it's all about volume, low fares, more demand, investment.

"The challenge we have is if fares come down in real terms, which we all want to see, then what does that mean for funding? Then there's the capacity question. We have a fixed amount of capacity, and if we drive further volume growth - which you would hope you would get with lower fares - we would increase overcrowding. That can make the passenger experience even more difficult."

But surely all the angst we've gone through over the past 20 years will have been pointless if all we do is price people off the railway?

"I don't think we are pricing people off," he comes back quickly. "We are not pricing people off because we are still getting phenomenal growth - but at some point we have to meet that growth with new capacity."

"Take South West Trains. I am hugely excited about the potential opportunity to increase Waterloo capacity by about 30%, but I need to persuade government to do it. I need to persuade government that there is a business case to go and do it. I'm working on it, and it's the kind of challenge that we have to deal with."

Griffiths is sanguine about the decision that was taken to move to 75/25 in ticket support - and points out that in the South East this means that 80% of the railway is now funded by the customer, not the taxpayer.

"That's been a huge shift," he says.

TWO-TIER BRITAIN

But what about the North of England? They've all the fare increases but none of the new trains, and a small fraction of the infrastructure investment we've seen in the South? Are we heading for a two-tier Britain? And is he happy with that?

"I agree - we don't want a two-tier. Equally, I've always again been very honest that London is the economic heart of the country, and our challenges around rolling stock and infrastructure are significant because we are running around a Victorian railway a lot, and that's not sustainable either."

"But let's stick with fares a moment. Existing contracts can be changed and new contracts can certainly be made on a basis of lower fares, but it gives us a big funding challenge, and that's where politicians can't pick and choose. You've got to look at this holistically, you've got to look at fares, you've got to look at demand, you've got to look at capacity, and we have to make sure the railway is sufficiently joined up."

I press him harder on the idea of campaigning hard for things that the Government doesn't like and will not welcome. In conversations with key senior executives, I pick up a lot of disenchantment, opposition and even anger about how Northern is being handled. All of them regard the DfT as wrong, and wrong-headed about the North - but dare not say so for fear of 'biting the hand that feeds'. Will RDG campaign with equal vigour on matters that the DfT will not like (such as this), where there's a common view that managers dare not speak publicly about? Surely this is the acid test for RDG?

"RDG isn't going to shy away from difficult discussions with government about north-south funding, or pricing - we are very much up for those discussions. Government will ultimately be receptive or not to some of those things."

Forgive how I put this, but will RDG have the balls to make the case, when that case is not welcomed by the DfT?

"Yes, if the case is right we WILL make that case."

So, to sum up, you are going to be a CBI that's totally supportive of the Government when it does the right thing, but a total thorn in their side if you believe it's not?

"RDG is very focused on doing the right thing for the industry in the long term, and if that means there are some difficulties to be had with Government then we will not avoid those difficulties," he says.

Does he believe that the new franchises such as Essex Thameside really do represent genuine transfer of non-GDP risk to the private sector? It was surely the case before that no such risk transfer was apparent? This prompts a frown.

"We are never going to shoulder the ultimate decision-making because railways are too important politically. The Secretary of State ultimately is always going to say: 'I'm accountable, it's my job,' so the buck stops there."

"No, I don't like saying that because I think there WAS absolute risk transfer from Day One of privatisation. We've had different models, and I really do think that over the last ten years the cap and collar revenue support model hasn't been good for government or private operator."

"We need to move on from that, I agree - but there has definitely been proper risk transfer. If you look at these big revenue bids now, you have to think very, very hard about an eight- to ten-year contract in terms of what cost risk you're assuming and what revenue risk you're going to take. You then have to back it up with a lot of capital, and this goes back to my point about how a state bidder could do this."

"Take East Coast, for example. Dependent on the bids, you could be at risk for £150m-£200m of capital if it was to go wrong. No, we don't want the market to fail, but that's not to say we don't expect the market to fail from time to time - because if it doesn't fail, then it's not a market!"

"I think we have reset the equilibrium now, and the contracts are much better for both sides," he explains.

"Government will get a better price and so should take macro-economic risk on these types of railways, and so should incentivise the private sector and hold it accountable for what it bids - but don't hold us accountable for what happens in the economy, or GDP or central employment, over which we have no influence. Government is much better to sit with that risk - but everything else in the franchise? Yes, absolutely, the private sector should bear that risk."

So where do you want RDG to be in two years... in five years? How do you want it to be seen? What do you want the impression to be when you mention its name in conversation?

"I hope it will be associated with leadership of the industry - that's what we set out to do and I think we can do that," he says.

"I think we are now starting to do that. But it has to be a partnership. We cannot lead without taking account of where Government is - its priorities, its challenges... we have to be able to work with and respond to where they are at any point in time. And the DfT is looking for us to come up with solutions - they are crying out for us to take the industry forward."

That requires trust though, doesn't it?

"Yes, it does - but I think that trust has been rebuilt."

And how will RDG work with the DfT's new rail directorate - because that's supposed to be, again, a similar leadership organisation?

WORKING TOGETHER

"I think that will be the conduit to make sure that we are working together. And 'together' is the key. We can lead - but only in partnership with the DfT," Griffiths explains.

"We are never going to shoulder the ultimate decision-making because railways are too important politically. The Secretary of State ultimately is always going to say: 'I'm accountable, it's my job,' so the buck stops there."

"When you drag all the decisions back into the middle of the department, which is what I think has happened over a long period of time, it isn't as successful because you need specialist knowledge."

"If you asked everybody around the RDG table, I bet they would all say they wanted a separate agency. Our worry was that we didn't want that separate agency to take ages to come, which would mean yet further delay in getting franchising re-established. As matters

stand, the Department seems to have been able to keep going with its programme, while also putting in place the building blocks for a separate agency."

In Griffiths' view, abolition of the Strategic Rail Authority and absorption of its role into the DfT was a major mistake, and that while political sensitivities mean Government will also be heavily involved, much more of an arm's length feel to rail management is needed.

He is of the view that the West Coast meltdown made even the DfT agree with this, having had its fingers burned so badly. He looks back now and is clearly frustrated at how difficult Government and industry have made things for each other in running the railways and planning their growing future.

"God knows how many times somebody has announced that we are going to have a rail review, or we are to tinker with this or do that. None of that helps. You want stability in any industry, you want the right policy, the right regulation. And if you have the right structure then you can go forward."

So is that RDG's job?

"Absolutely. We need to work to try and give the industry that stability, to capitalise on all the positive things that it has done over the last 20 years. Then figure how we can repeat that - and more - going forward."

And with that we part company. A couple of weeks later I dine as planned with Griffiths, Roberts and Watson in an enjoyable and clear demonstration of peace and harmony between RSG and RDG. They clearly do 'get on' and obviously are working together in the name of good all round. That's reassuring to see.

But you cannot airbrush history: RSG was born from the fury of the suppliers at being left out of RDG, and its midwife was (as I see it) a DfT which made very clear to RDG that it wanted the supply chain involved, and that they'd jolly well better go and find a way to make this happen if they wanted a balanced and constructive dialogue. I certainly did not imagine the supply chain fury at their exclusion from RDG, all of which suddenly evaporated with the formation of RSG and the embracing thereof by RDG.

In due course, it's blindingly obvious that RSG and RDG should become RDSG, and maybe this will happen first in day to day work, and then more formally with a merger of the organisations themselves. Frankly, as long as the big constructive conversation takes place, it doesn't concern me overmuch. It's the outcome that matters. I wish them all well.

Certainly, Griffiths and Watson are a highly impressive pair, and Alstom and Stagecoach are to be congratulated for proving

the naysayers wrong and allowing their expensive top executives to work for a wider industrial benefit and not narrow strictly shareholder interests. Long may that continue - and spread as a principle to other companies.

RDG has therefore made great strides, but its output remains patchy and inconsistent. Ironically, it is at its best when not much is happening and it tackles the long overdue educational aspect of PR that the industry has woefully neglected to its very great cost.

I hope it develops this aspect of its operations significantly and rapidly. This was clearly understood by the public relations departments of the pre-war 'Big Four' companies of the last private railway era, and it is a skill we need to re-embrace quickly and deeply. It could play a key role in drawing the sting from frequently critical media coverage.

And while I absolutely believe the gutsy Griffiths when he says he has the cojones to take on Government when necessary, the organisation beneath him needs to catch up and do likewise.

FARE INCREASES

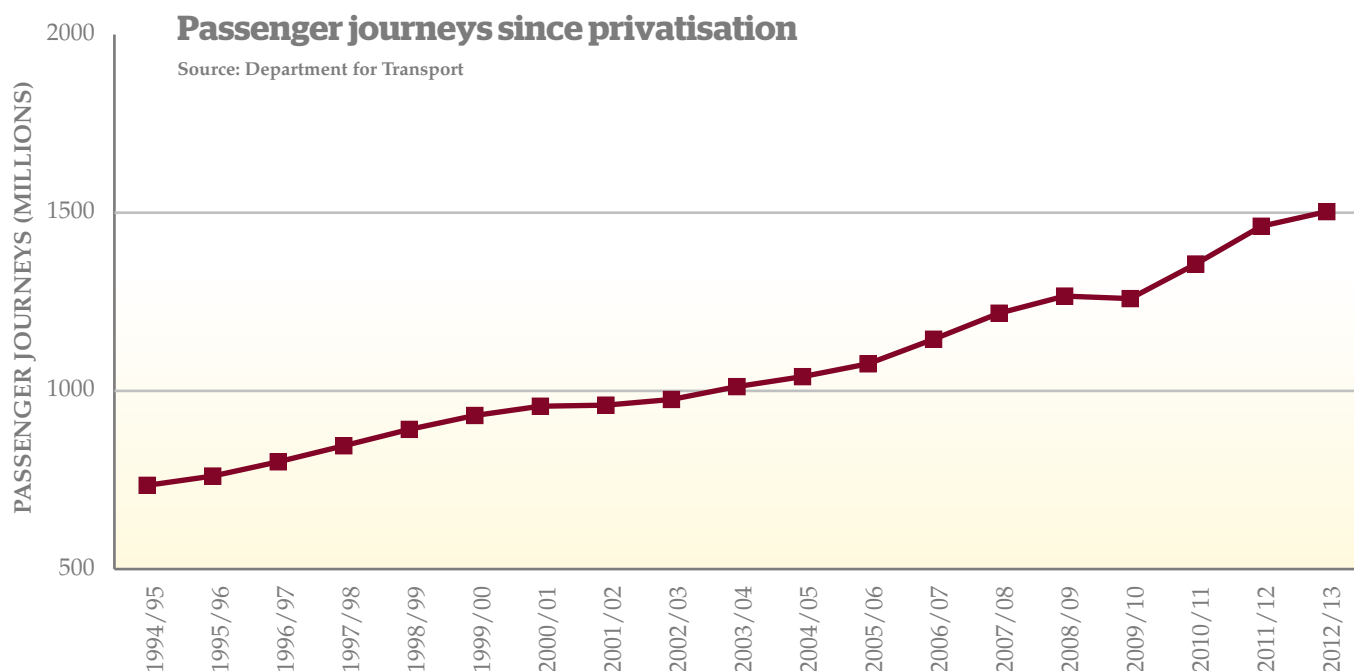
As this new journal prepared for press, the Government capped fare increases at RPI rather than RPI+1%, and new Rail Minister Claire Perry played to the crowd and cosied up to Labour traditionalists in a predictable and rather boring statement that South Eastern commuters deserved the much better deal she was "determined" to provide, and that the evil of overcrowding should end and that TOCs would be made to do better. We've heard all this playing to the gallery before.

And what did RDG say in its press release?

It "welcomed" the "good news" for passengers on fares, but failed to hammer home that the higher increase the Government had scrapped was its own policy, not that of the TOCs. The press release failed to mention the Government's abolition of the flex mechanism that TOCs had so cynically abused over the past few years, and likewise steered clear of pointing out that overcrowding was a direct result of strict Government control of how many carriages the TOCs can have.

It would seem there's still some way to go before RDG really does come across as a fearless CBI-style body. But let's not be too chippy... it's early days yet, and Griffiths has only been in the post a half year or so. He's making progress - slowly.

Change always comes too slowly, however, usually when it's most needed. Griffiths must keep the pressure on and make sure that the changes he's driving continue to come steadily, if not rapidly. ■





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“We are different from other police forces”

British Transport Police has cut costs, put more officers on the railway and transformed the way it works. Chief Constable **PAUL CROWTHER** tells **PAUL CLIFTON** how BTP is great value for money

“If the railway is not safe, secure and reliable, then the Government’s investment of billions of pounds is pointless. We are at the centre of that.”

Chief Constable Paul Crowther, who has worked his way up from a British Transport Police constable over the past 34 years, sets out his stall. BTP has been his entire working life. His challenge since taking over the top job from Andy Trotter in May has been to make the world’s only national railway police force fully fit for purpose in a changing climate.

Crime has reduced on the railway for the tenth successive year. The rate for the most serious offences dropped by a further 6% in 2013-14, equating to 3,000 fewer crimes than the year before.

But the overall downward trend masks some serious issues. The number of sexual crimes committed rose sharply. The number of complaints against the police rose. Critically for train operators, the delays due to crime also rose. And those increases are set against a backdrop of cost-cutting and staff re-organisation.

So the Chief Constable sits down for a detailed discussion about his force’s challenges - the areas that must change if the BTP is to play its full part in the industry’s drive for efficiency, for fewer delays, and for costs to be kept under control.

BTP’s nondescript and uninspiring offices are in Camden in North London, beside a local branch of Sainsbury’s. Although tracks can be seen at a distance from the top floor windows, it is not an obvious location for a railway headquarters. “It’s cheap,” Crowther explains. “And we’ve just signed a new ten-year lease.”

He is five months into his five-year contract to lead the force. He gives lengthy, clear and thoughtful answers to questions, refreshingly free of glib media soundbites. Unusually for a senior officer, his comments are generally also devoid of police-speak, the inexplicably complex jargon-filled formal language that is often ingrained from the first days of form-filling out on the beat.

Perhaps that is because Crowther has become accomplished at justifying his decisions. Policemen have to answer to their Police and Crime Commissioner and to the Home Office. But BTP officers also have to explain themselves to the Transport Select Committee,

“If you map robbery hot spots on the street and in the stations alongside, there is no correlation between them. The Tube stations have become oases of peace and serenity compared with the areas outside. That must be down to lighting, barriers, and station staff that people can turn to for help.”

Department for Transport and to the industry that pays the bills - and the latter needs to see what it is getting for its money. He gets plenty of practice at this.

“Every year we carry out a detailed assessment of the policing challenges ahead. We looked at crime rates, at social and demographic changes, and we looked at the growth in passenger numbers.

“We looked at the way we were configured to meet those challenges. We needed to restructure. By reducing support infrastructure and management layers, we could release resources and budgets. We mirrored the industry’s geographical structure as best we could, so that individual train operators only deal with one part of BTP. That is similar to the way local police forces have relations with their local authorities.

“We are also doing a lot of work with the franchising team at the Department for Transport, under Peter Wilkinson. We are working on future franchising agreements so that we are aligned with the needs of the railway.”

BTP expects demands for its services to increase in line with a predicted rise in passenger numbers of 16%-20% by 2019.

It has cut 120 back-office staff. There are 36 fewer senior officers. Seven separate policing areas around the country have been reduced to three divisions. The £9 million saved has been reinvested in more frontline staff - an additional 208 officers.

BTP now has 2,931 officers and 1,853 other staff, including community support officers (PCSOs.) Its budget for the current year is £258m. Of that £205m is for main line policing and £53m is for London Underground.

“Each of the seven geographic areas used to be semi-autonomous, each with its own structure for intelligence, prosecutions, criminal justice,” Crowther explains.

“If you corral those back-office functions into bigger units, you deliver broadly the same service at cheaper cost, and arguably more efficiently and effectively.

“We think that means we can achieve a further 20% reduction in crime, a further 20% reduction in disruption caused by crime, and a further 10% improvement in passenger confidence.”

LONDON-CENTRIC

The result is a force undeniably focused on London. Almost two-thirds of the staff are based there. Two-thirds of the money is spent there. And Crowther himself has spent his whole working life in the capital.

“It reflects where the demand is,” he says. “Sixty per cent of rail crime is in the South East. More than 60% of passenger journeys are in this area.”

Measured by the number of incidents per passenger, London Underground is more than three times safer than the main line network. There are 25 crimes per million passengers on ▶

► the national rail network, and only eight crimes per million passengers on London Underground. Is that simply because BTP has concentrated its efforts in the capital?

“Transport for London and the Underground invest very heavily in policing, more so than the rest of the network. Network Rail is our biggest funder, but TfL is second. There are significantly more resources in London because TfL wants to pay for them.

“The Underground itself has been transformed in the last ten years. Stations are brightly lit, with pretty good CCTV, and they almost exclusively use ticket barriers.

“Look at the crimes which worry travellers most: knife-point robberies. We have reduced them by 83% in ten years. If you map robbery hot spots on the street and in the stations alongside, there is no correlation between them. The Tube stations have become oases of peace and serenity compared with the areas outside. That must be down to lighting, barriers, and station staff that people can turn to for help.”

A crime detection rate of 34% is broadly in line with other forces, says Crowther. The theft detection rate is only 7%, an area highlighted by the House of Commons Transport Select Committee as needing urgent action.

Crowther responds: “There has been a lot said on detection rates. I am more interested in stopping crimes happening in the first place. We have seen a 24% reduction in theft crimes on the Underground.”

Unlike most crime areas, the victim and the suspect on the railway are rarely known to each other before the incident. They are transient encounters, passing ships in the night. The suspect is quickly many miles away, making detection and detention more difficult.

Other police forces dealing with violent crime find that in most cases the victim knows the offender, whether the incidents are domestic, at work or in places of entertainment. For that reason,

“We know from our work with offenders that they used to carry out robberies on trains because there were cameras on the platforms but not on the trains. Now there is high-quality CCTV on the open-plan trains, and that really contributes to safety and security.”

Crowther believes a detection rate of one in three compares favourably with other forces.

From the Chief Constable’s top-floor office window looking north from Camden, the London Overground can be seen on a brick viaduct. Formerly the North London Line was branded Silverlink, when it endured a rough image.

“It used to be a robbery hot-spot. It has been transformed. Some of that is down to us. But it is brighter, more welcoming with great CCTV - that’s a game-changer on the trains.

“We know from our work with offenders that they used to carry out robberies on trains because there were cameras on the platforms but not on the trains. Now there is high-quality CCTV on the open-plan trains, and that really contributes to safety and security. That line has become one of the most improved in the country, in terms of passenger confidence.”

Until recently, Crowther took the lead national policing policy-making role on CCTV cameras. Not surprisingly, he feels they play a big part in passengers’ sense of security.

“I’ve always described the UK as CCTV-rich. And the transport sector is CCTV-saturated. We have a CCTV hub in London that has access to 55,000 cameras. The challenge is how to deal with that effectively, and how to deal with public expectation - people think every event must be detectable instantly.”

SEX CRIME

Hundreds of millions of passenger journeys are made each year in complete safety. Last year there were almost 51,000 notifiable crimes (the more serious offences). That was a drop of 5.7% on the year before.

Within that, robberies reduced by 17%, as did theft of passenger property. Fraud was down by half.

But violence against people rose slightly. And sexual offences were up by a fifth, a stand-out figure completely against the general trend of other crime.

“If you look across the national crime figures, there has been a 20% rise in sexual offences. Ours are in line with that,” says Crowther.

“It’s widely accepted that the recent high-profile celebrity cases have brought greater awareness, and people are now more confident about reporting these offences.

“We launched Project Guardian in April 2013. We have done a lot of analysis with TfL, the Met and City of London Police, looking at incidents of sexual offences on the transport system. Some were crimes - sex assaults, touching. Others were passengers telling us about inappropriate comments, being leered at, feeling harassed by people around them. Fifteen per cent of women said they had experienced some form of unwanted sexual behaviour. Putting men and women together, the figure was 9%.

“A major part of Project Guardian was to increase reporting. So it is not surprising that is what has happened - it’s what we set out to do.

“Now we have more plain clothes officers, greater use of CCTV, and we are going after the offenders. We’ve dealt with 22% more offenders in the same period, so we largely reflect national trends and priorities.”

NOTIFIABLE CRIME/OFFENCES BROKEN DOWN BY CRIME GROUP

Crime	Number of offences		Variance (%)
	2012/13	2013/14	
Violence against the person	8,123	8,425	3.7
Sexual crime	925	1,117	20.8
Criminal damage	3,452	3,298	-4.5
Line of route offences	1,200	1,149	-4.3
Theft of passenger property	17,292	14,353	-17.0
Motor vehicle/cycle crime	7,430	7,455	0.3
Robbery	530	436	-17.7
Theft of railway property	4,834	4,406	-8.9
Public disorder offences	4,765	4,773	0.2
Fraud offences	920	457	-50.3
Drugs	3,460	3,993	15.4
Other crimes	954	978	2.5

Note: Figures are for total of England, Wales, London Underground/DLR and Scotland.

Source: BTP Statistical Bulletin 2013/14, published August 2014



COMPLAINTS

In the past year there has been a rise both in the number of complaints made against BTP and in the proportion of those complaints upheld following investigation.

Some 448 formal complaints were made by members of the public - 100 more than the previous year. The majority were dismissed or resolved locally, but 85 complaints were upheld and the police found to be in the wrong.

Crowther thinks that is mainly because the public have been encouraged to come forward to complain, and because the process of making a complaint has been made easier.

Among the many positive performance indicators, time lost as a result of cable theft is down by three-quarters compared with six years ago - a real achievement.

But staff sickness has remained stubbornly high. A BTP officer

“If we identify a high-impact location, we ought to put a moat full of crocodiles around it, so no one gets near. The game-changer is direct action by the industry once we have identified that spot, putting engineering and management solutions into that location.”

takes, on average, more than seven days off sick each year.

“I think it’s still awfully high,” admits Crowther. “If you compare us with industry, we are pretty favourable. But remember ours is a contact sport. Our people are stepping into situations that others are moving away from. Some sickness is caused by injuries, assaults and so on. My staff will tell you we are very tough on sickness.”

DELAYS

After a substantial reduction in the time lost on the railway due to crime in 2012-13, the trend reversed last year. The number of lost minutes increased by 6%. For the industry, that represents millions of pounds of additional cost.

“Primary delays” are calculated as the minutes lost by a train due to an incident directly affecting that train. The increase last year was 4%. “Reactionary delays” are based on the number of minutes that other trains are delayed as a result of the original incident. That rose by 8%. The delays due to trespass and vandalism were up by 12%.

“This is something we are determined to do more about,” says Crowther. “First and foremost, we protect the public. But we give ourselves KPIs [key performance indicators] for reducing disruption. Other police forces would think this is mad, because what we do is inevitably disruptive. We have been very ambitious in saying that we will contribute to reducing overall disruption.

“The latest figures are slightly more encouraging - in the year to date, primary delay is now just down by half of 1%. So we are bearing down on the stuff we can directly influence.

“What we can’t influence is some of the reactionary delay. If it takes time to get a relief driver along after an incident, we cannot ▶

2013/14 NATIONAL POLICING PLAN TARGETS

Target	Outcome	Achieved
Reducing disruption		
Disruption: Reduce police-related disruption by at least 3% on the 2012/13 figure	Up by 6% from 1,171,729 to 1,242,171 minutes	No
Fatalities: Non-suspicious and unexplained fatalities to be cleared within an average of 90 minutes	76 minutes	Yes
Reducing crime		
Notifiable offences: Reduce overall notifiable offences (excluding police generated crime) by at least 3%	Down by 7% from 50,081 to 46,508	Yes
Notifiable offences: At least maintain the 2012/13 detection rate for notifiable offences	Up from 31% to 34%	Yes
Delivering value		
Frontline resources: Increase the overall budget percentage to be spent on frontline resources to at least 58%	59%	Yes
Increase staff availability: Overall sickness to be less than 7.3 days per year	7.34 days per year	No
At least 90% of staff on Temporary Duty Restrictions to be on full hours after four weeks	95%	Yes
Increasing confidence		
Visibility: At least 1,036,267 hours to be worked by NPT and response officers between 7pm and 3am	1,053,673 hours worked	Yes
Public order offences: Overall detection rate to be at least 59% for notifiable public order offences	58%	No
Source: BTP Annual Report, published August 2014.		

“We know that the cost of closing a major hub is about £2m a time. So every time we assess a threat, we know we can save the industry lots of money and save the public lots of disruption. We need access to all the advice, the security agencies, the intelligence that enables us to make those decisions.”

► do much about it. But we now have some interesting hot spot analysis that tells us where disruption is happening. We split that into high frequency but low-impact locations, which tend to be down to trespassing, where the delay impact may not be large. And low frequency but massive-impact locations. That is where we have been directing our patrols and prevention activity.

“Tackling this is within our collective gift. If we identify a high-impact location, we ought to put a moat full of crocodiles around it, so no one gets near. The game-changer is direct action by the industry once we have identified that spot, putting engineering and management solutions into that location.”

TERRORISM

A recent study by the House of Commons Transport Select Committee praised the BTP’s proven approach to terrorism, honed over several decades.

Crowther knows the arguments well. He was the area commander on the day of the July 7 bombings in 2005, a series of co-ordinated suicide attacks. Have the processes evolved to deal with the latest heightened state of security alert, following events in Syria and Iraq?

“We all hold a big responsibility to make it as difficult as possible for those outrages to take place, notwithstanding that this is an open network. All of our people all the time have a brief that they are trying to spot attack planning. They are looking for suspicious activity, looking to disrupt anyone carrying out reconnaissance. We



BTP officers patrol the concourse at Waterloo station on July 2 2007 when extra security measures were put in place following the previous week's car bomb attacks in London and Glasgow. GETTY IMAGES.

obviously have some specialist resources, too.

“With the heightened threat, there’s a lot to be done around visibility of our officers and resources to deter an attack. We have upped the number of armed patrols.”

Firearms training has been taken in-house, rather than hiring other police forces. Crowther says it is cheaper for the BTP to use its own firearms officers as trainers. He does not say how many officers routinely carry weapons.

“We have seen an increase in bomb threats. We are still assessing 20 to 30 bomb threats to the railway every month. We apply a very sophisticated analysis to those threats. Over the last ten years, despite hundreds of bomb threats, we have not once recommended that the railway has closed.

“We know that the cost of closing a major hub is about £2m a time. So every time we assess a threat, we know we can save the industry lots of money and save the public lots of disruption. We need access to all the advice, the security agencies, the intelligence that enables us to make those decisions.”

Is the terrorism threat on the railway as London-centric as the policing? Crowther says much of it is, because the biggest crowds and the most obvious targets are in the capital. But looking at the pattern of terrorist attacks over the last century, he says there are more incidents on the transport network than anywhere else.

“In many ways, the more target-hardened London is, the greater the temptation for people intent on doing this sort of thing to move outside London.”

SUICIDES

The railway remains extremely sensitive about the issue of suicides. In the wake of economic recession, the number of people choosing to end their lives under a train has increased sharply.

Train operators are unwilling to discuss the subject, fearing increased awareness will further encourage suicides. But Network Rail has had notable success in the last year and its work with the Samaritans has been widely praised.

Crowther leads police work nationally on suicide prevention. It’s a subject he believes would benefit from greater sensitive public debate, although he concedes it remains difficult and complex. It is in this area that he becomes most animated, enthusiastic and demonstrative.

“We do a great deal of analysis. We look at the distribution of fatalities. We look at where people live and where the incidents take place - how far they travel to kill themselves.

“In London, Ealing has a high suicide incidence. There is over-representation of a particular cultural group there, and most people who take their own lives in Ealing also live locally.

“Contrast that with Camden and Islington NHS Foundation Trust area - the highest level of sectioning under the Mental Health Act in the UK. The average distance travelled for a suicide is 65 miles, but in Camden and Islington it is 165 miles. This is a catchment area that includes Euston, King’s Cross and St Pancras.

“There was an inward health problem from people who were not local. And nothing was being done about it. It was a “light bulb” moment. The NHS, Network Rail and London Underground gave us some money. We set up a street triage project, with mental health nurses now working alongside police officers.

“The result: across the force we’ve seen a 10% rise in suicides during the pilot period. In the area where we are doing street triage, we’re seeing a 14% reduction. This is groundbreaking stuff. And besides our obvious desire to save a life, we know how much it costs the railway in time and money each time there is a fatality.”

Crowther explains that his intelligence unit searches fatalities through social media sites, including checking contacts on Facebook. By reading the comments on the pages of people who have been bereaved, they have identified what he calls a “tribute element” by others who may attempt similar suicide at the same location. They then put these vulnerable people in touch with doctors, mental health teams and the Samaritans.



“We may not always be visible on this, but our tentacles are out there, doing really innovative things.”

“Our response units in north London each attend about 12 fatalities a year, and these are very unpleasant for our staff to deal with. There is a danger of sounding clichéd here, but I see how we make a difference. We are genuinely saving two or three lives every day. My people go onto the tracks, and they drag people off before a train mows them down. Every day.

“I’m waiting to talk to some officers now. The night before last was the latest in many incidents where someone had climbed the parapet of a road bridge to jump. Two officers managed to grab the person as they jumped, holding them for ten minutes, literally holding them, until more help arrived.

“No one wants to talk about this - there is definitely a fear of contagion. You get more people choosing the same location, and nobody wants to take that risk. But it is an issue and we need to talk about it, to get all the right public bodies coming together to deal with it.”

WHAT MAKES PAUL CROWTHER TICK?

Each time he is asked for his own opinion, or prodded for a personal perspective, Paul Crowther sidesteps the opportunity.

Crowther the policeman offers a professional view. Crowther the Chief Constable speaks for his team. Paul, the 53-year-old private individual with a strong London accent, gives nothing away. But he is clearly deeply committed to his employer of the past three and a half decades.

“I’m passionate about this very special organisation that delivers a special type of policing. We are different from other police forces. We have a very strong commercial bent to the things we do, which other forces just wouldn’t even think of doing. I’m very proud of that. “We are introducing some innovative and different things. We keep the network running. That is hugely satisfying.” ■

Where are they now? GERALD CORBETT

NIGEL HARRIS tracks down the Railtrack former chief executive, who resigned after four people died at Hatfield on October 17 2000

Blimey. Was it really that long ago? Preparing to meet the once highly controversial ex-Railtrack chief executive, it comes as a shock to realise that Corbett resigned 14 years ago in the aftermath of the four fatalities at Hatfield.

The accident (caused by maintenance failures) was bad enough, but the chaos that followed in the ensuing national 20mph speed restrictions caused media and public fury. Strategic Rail Authority Chairman the late Sir Alastair Morton famously described this as the industry's "nervous breakdown" - and Corbett was at its heart.

Corbett's immediate resignation after the accident was initially refused by his Board, but was eventually accepted when his increasing isolation made his position untenable. Government, in the form of Deputy Prime Minister John Prescott, pointedly refused to offer any support, and Corbett had no alternative but to go.

I decided to track him down to see what had happened to him in the 14 years since he resigned. What sort of mark did the railway, and the manner of his departure, leave on him? Did it leave a mark at all? We chatted in his garden, in Hertfordshire.

"It was a very intense experience, but funnily enough you learn more when things don't go well than when they go well. And I learned a lot about myself," he says.

"I learned that when you're really up against it and really under huge pressure, you concentrate on putting one foot in front of the other. I think when the chips are down that's what you do.

"When you're at the centre of a crisis you just concentrate on dealing with it. It isn't actually quite as bad for you as it is for one's wife or family at the time. But it all hits you later. I was scarred by the experience, and I do still think about it. It takes you three or four years to move on and get past it."

Corbett says he took the Railtrack job after a career as a private sector finance director because he had wanted to make a contribution to "the public good".

"I did take the job for the right reasons - but it ended up consuming me."

Could he have done things differently?

"I should have made sure that I had a chairman who was able to support me in the trenches," he says. "That was a mistake. All the roles got confused and the end result was inevitable.

"We had this nightmare structure. It was all new and immature and we had a hostile government who hadn't privatised the railway. We also had Prescott and all that that meant - plus we had Tom Winsor, a young, very bright, aggressive Rail Regulator. I now think it was mission impossible.

"The other thing I should have done - even though it would have meant biting my tongue - is to have tried to get closer to Winsor. If we had got on better, then the two of us might have been able to see it through.

"Winsor was quite right. We didn't know the state of our assets, and the reason we didn't was because the information was with the maintenance contractors, and that was our fault."

I ask him to talk more about John Prescott.

"Given the landscape, we really needed less of a bruiser - someone who understood the challenges. We needed someone who didn't just see the thing in terms of

"I was scarred by the experience. It takes you three or four years to move on and get past it"

tomorrow's headlines. And it has been easier since under different Secretaries of State - but I wouldn't blame Prescott. It was just a toxic cocktail of a new industry structured in the wrong way with some particular personalities and some fantastic challenges - it was bound to implode."

Corbett describes Sir Alastair Morton as "a good bloke", and that everyone missed an opportunity by not making him chairman of Railtrack after Sir Robert Horton.

He is candid about his own mistakes - his failure to bring the maintenance companies back in house immediately, and the missed opportunity to get a grip of the doomed moving block signalling proposals for the West Coast much earlier.

Corbett speaks with great warmth about railwaymen and women - other than his Board, whom he coldly says "headed for the hills" when the crunch came.

"Railwaymen and women are good people. When it all went pear-shaped for me and when the pressure was really on, I got so much support from the railway people, I shall never forget it," he says, with great feeling.

After leaving Railtrack, Corbett also had to weather the storm of criminal prosecution, which caused immense strain.

"These legal things are terribly intense, very long-winded and they are full of emotional angst because you're never quite sure how they are going to end. That lasted a couple of years, and then the judge threw it out in a pre-trial hearing.

"Of the 54 charges on the indictment, 52 were not guilty or chucked out and only two remained - and they were the health and safety charges under which Balfour Beatty and Railtrack were found guilty.

"We would have pleaded guilty to those two anyway, so the whole thing was a waste of time and money. Looking back, it was a political thing really - a sort of show trial. But when people die it's terrible, and the wheels of justice have to be seen to go into motion. It was very difficult, though."

After Railtrack, Corbett went to the top job at now-gone Woolworths, which at that time employed 35,000 people. He did it for six years and "left with a higher share price than I started with". He recalls that Woolworths was the biggest non-food retailer in Europe when he left in 2007. The company subsequently died in the financial crash.

He then became chairman of the Britvic soft drinks company - a job he still does and much enjoys. He also became chairman of SSL, whose best-known brands are Scholl sandals and Durex contraceptives - a job he did for five years.

He led the Money Supermarket comparison website for seven years, and today he chairs Betfair, the betting exchange on which 4.5 million people a day wager. "That's more transactions than on the whole of the stock exchanges in Europe," he claims. He also chairs stockbroking and investment bank Numis.

Aside from business he is heavily involved in community work, including chairing the Royal National Institute for the Deaf, and he was High Sheriff of Hertfordshire in 2010. He chaired the Hertfordshire Community Foundation, and he is now leading the appeal to raise funds for St Albans Cathedral.

He admits to slowing down a tad in business and doing more community work - and is happy with the balance of his life at 62.

Is retirement approaching?

"Definitely not!" he scoffs. "I don't think you should retire. Retirement is a process - not an event." ■



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