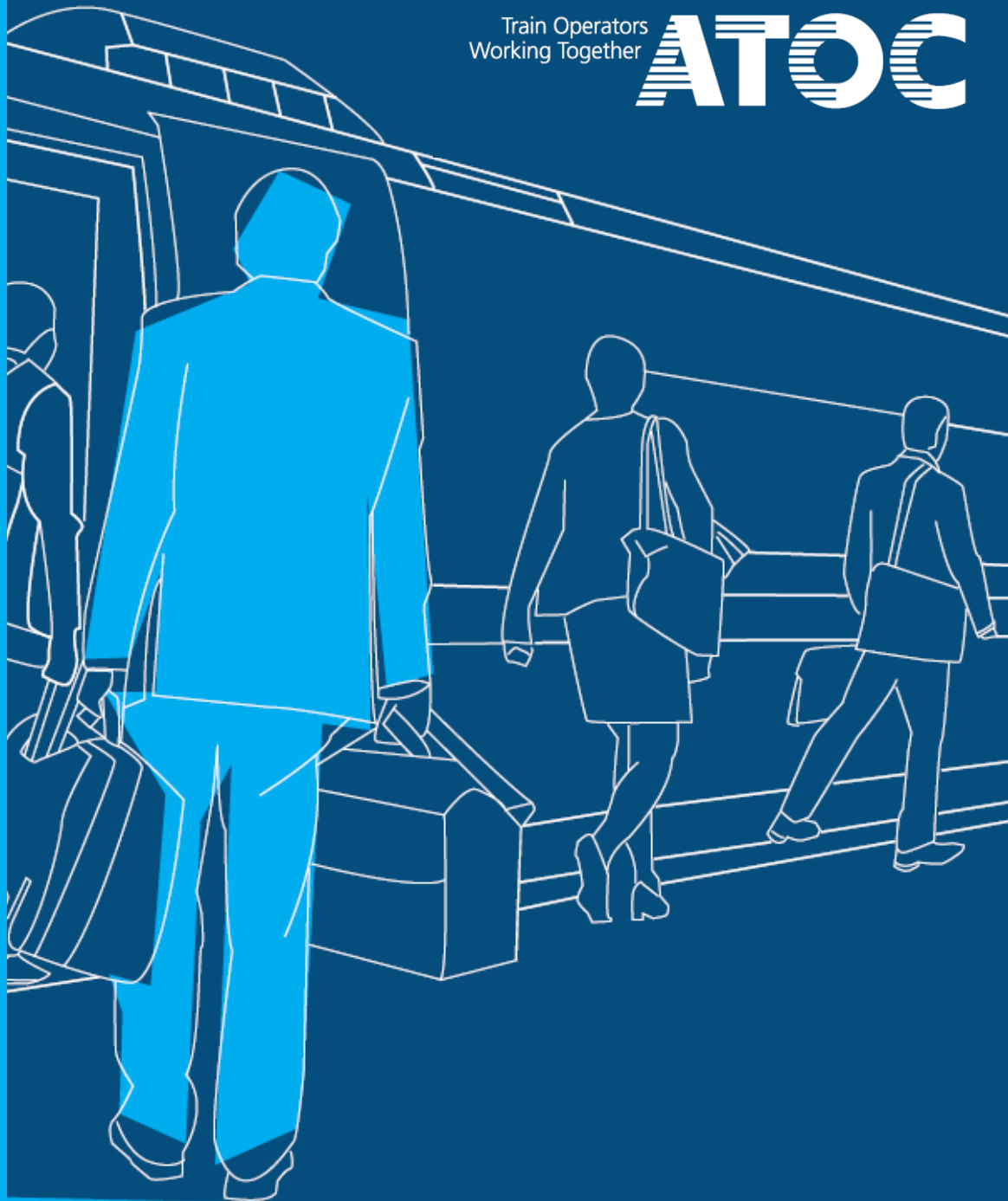


Train Operators
Working Together

ATOOC

A Smarter Future for Rail

Michael Roberts
Chief Executive



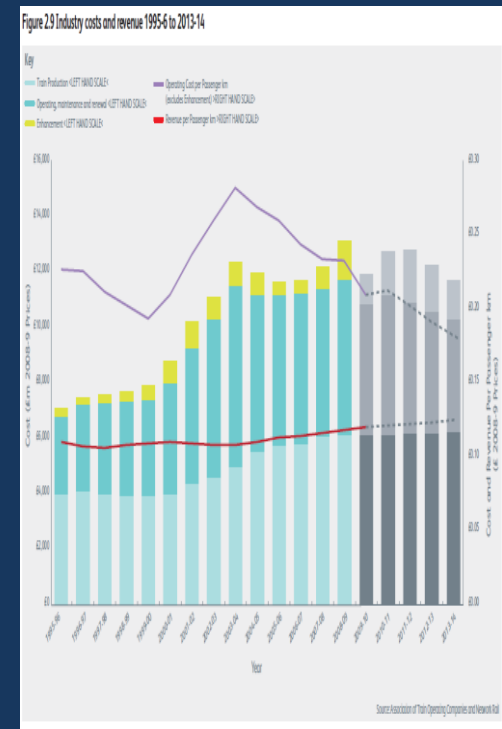
We want to grow the role of rail in national life by working with others over the next 25 years to:

- Continue improving passenger satisfaction - to at least 90%
- Carry twice as many passengers as today, more quickly and better integrated
- Put the railways on a more sustainable financial footing
- Deliver services that are among the most reliable and safe in Europe
- Help Britain tackle climate change by moving towards a 50% cut in CO₂ emissions in the longer term



We are ready to rise to the challenge

- We must become more affordable – cutting costs while attracting more passengers and increasing revenue
- There are strengths on which to build – patronage, performance, satisfaction
- We need to close £0.7-1.7 billion pa “efficiency gap” over the long term (Interim Rail VfM report)
- Welcome themes of greater industry leadership and more aligned incentives
- Future lies in a more business-like railway – with passengers at its heart - but in a framework set by Government



Four areas key to a more successful railway

Franchise reform

longer, smarter franchises, allowing the private sector to invest and innovate

Aligning train and track

stronger alignment between operators and Network Rail, focused on customers

Targeted, sustained investment

need to keep investing in network and train capacity as demand continues to grow

Smarter fares policy

more flexible approach to fund investment, reduce taxpayer support and make better use of capacity

Franchise reform

A better deal for taxpayers /passengers, based on giving TOCs a greater role in partnership with government:

- longer franchises (15-20 years) as the norm & more emphasis on quality
- core service specification & additional services
- agreed outputs eg PPM, crowding, service quality
- continued ability to remove poor performers
- “horses for courses”



Aligning track and train

Closer working between track and train operations to drive down cost and bring decisions closer to customers:

- Route-based NR units with more authority/resource
- Efficiency-benefit sharing mechanism (agreed in PR08) activated and implemented regionally
- Range of options– informal partnerships, commercial agreements, JVs
- Possible further medium term options – more independent IMs regulated by ORR and vertical integration in places



Targeted, sustained investment

Investment is key to increasing capacity, future high levels of service quality – and growing revenue:

- NR's OMR spending vital but so is enhancement – welcome shift of emphasis in CP4 (c £10 billion)
- DfT Rail came out well in Oct 2010 Comprehensive Spending Review and subsequent announcements
- Need to achieve balance of projects (large and small), network (classic and new) and non-infrastructure
- Better VfM – including network utilisation – key to our ability to afford much-needed investment



Smarter fares policy

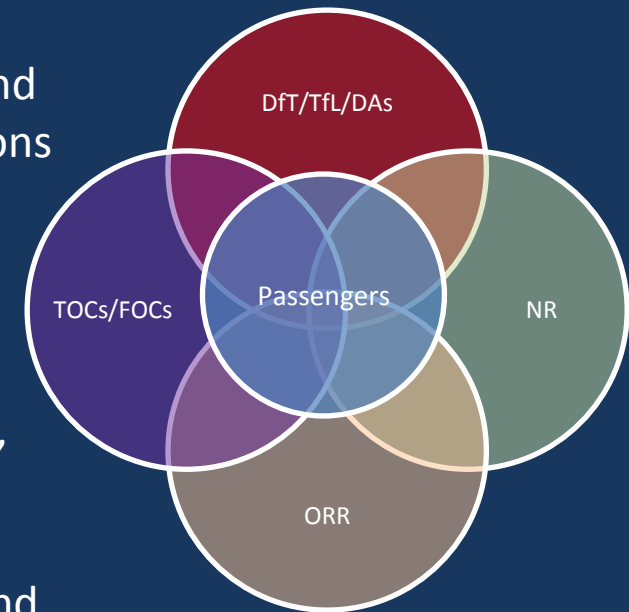
Current approach has supported revenue & passenger growth but needs to be smarter to reflect modern railway:

- Keep regulation where needed, but apply more flexibly to reflect individual franchises (eg major investment)
- Targeted de-regulation, where rationale weak and can help passengers (eg simpler prices, better demand management)
- Support passengers' buying decisions with better information and new products (eg smart ticketing)



Industry structural and cultural change must go together

- TOCs with more scope to lead (eg stations, rolling stock) and propose quality improvements, based on sensible risk-sharing
- A more-devolved NR, working with TOC/FOC partners and supported by a lean centre for key network-wide functions
- Government setting overall strategy in partnership with industry and clear, proportionate regulation from ORR
- Industry players stepping forward to exercise leadership, building on existing models eg NTF and POG
- Opportunities for TOC leadership eg working with DfT and others on future fares policy and rolling stock strategy



Conclusion

- Rail on threshold of new phase following BR and modern private era (OPRAF → SRA → DfT)
- VfM Review will be a blueprint for industry and Government to implement – plenty of hard work still to do
- All industry partners will need to change and play their part to deliver benefit to passengers and taxpayers
- Welcome signs so far – eg Government commitment to franchise reform, recent NR statements on devolution
- TOCs , owner groups and ATOC committed to follow through on reform