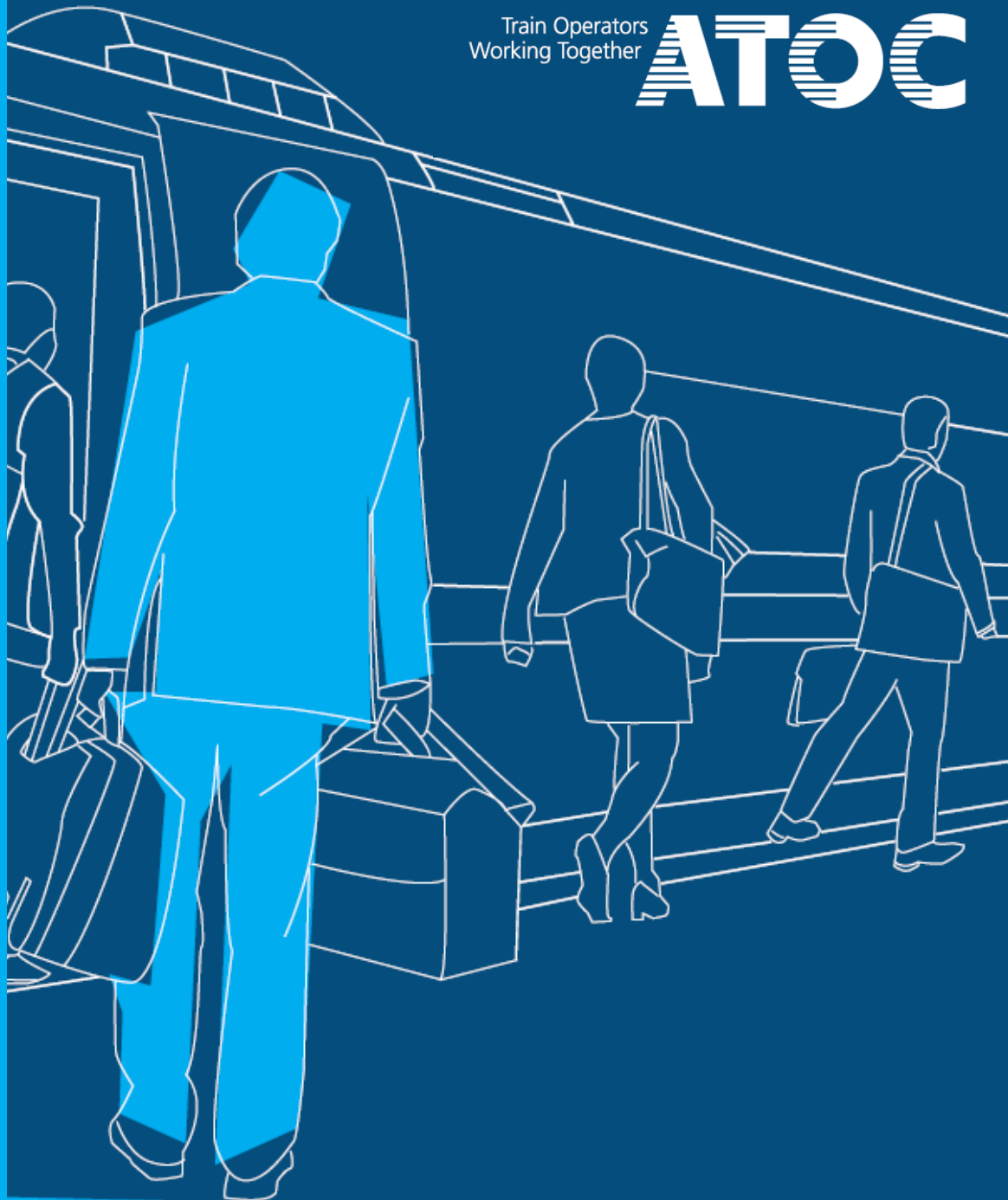


Train Operators
Working Together

ATOOC

The future for franchises

Michael Roberts
Chief Executive



Over the next 25 years, we want rail to play an even greater role in national life, by working with others 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 cutting CO₂ emissions



The railways have a strong base on which to build

- Many successes since privatisation:
 - ✓ passenger journeys up 60%
 - ✓ passenger satisfaction at 83%
 - ✓ punctuality at 82%
 - ✓ the railway today as safe as its ever been
- All major political parties favourable towards rail and good Comprehensive Spending Review under the circumstances
- Dual challenge for rail to address - much greater cost-efficiency and customer-responsiveness

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

ATOC approach on 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
- core service specification & additional services (with both then contractualised)
- agreed outputs eg PPM, crowding, service quality (including satisfaction)
- more emphasis on quality, rather than just price, in bidding process
- replace current revenue support/share with better arrangements
- continued ability for government to remove poor performers

DfT proposals in right direction but need improving

- ✓ welcome goal of moving away from tightly prescribed inputs, to longer franchises & focused quality outcomes
- ✓ underlying intent & many of ideas in key areas reflect ATOC thinking – eg franchise length, level of specification, TOC role in investment, handling of risk

But...

- ✗ proposals largely assume current industry structure – need explicitly to embrace broader, more radical package of railway reform
- ✗ approach is too wary of train companies – needs to go deeper in creating stronger, more positive relationship between TOCs & Government

Integrate franchise reform with wider change agenda



Anticipate and accommodate NR reforms



Consider alternatives to conventional franchising



Use opportunity to promote smarter fares policy

Develop a smarter approach to procurement

Greater focus on outputs welcome but more needed to harness private innovation:

- structured dialogue during ITT consultation to help establish parameters for inviting/evaluating bids
- simpler accreditation process to focus bidders on value added to specific franchise & major streamlining of plans/models required of bidders
- give proper credit to bidders' ideas on enhancing quality (eg DfT position re price as criterion & criteria for evaluating quality improvement ideas)



Adopt a stronger commitment to longer franchises

- 15 years & up to 20 years+ if major investment is proposed – not 12-15 years as referred to in consultation document
- allows more scope for TOCs to tackle costs & more time to stabilise following economic downturn
- allows more scope to attract private investment (as would other measures eg treatment of residual value)

The logo for Chiltern Railways, featuring the text "Chiltern Railways" in a dark blue serif font above a red and white horizontal line.The logo for c2c, consisting of the lowercase letters "c2c" in white on a bright pink rectangular background.The logo for Arriva, featuring a green circular icon with a white swirl to the left of the word "ARRIVA" in bold black uppercase letters. Below "ARRIVA" are the words "Trains Wales" and "Trenau Arriva Cymru" in a smaller black font.

Encourage a more sophisticated approach to risk-sharing

Use package based on improving ideas in consultation document:

- greater flexibility for TOCs to change service patterns while remaining committed to output targets, but without current bureaucracy
- replace current revenue support/share arrangements with stabiliser linked to GDP/CLE (including profit share arrangements)
- franchise management to ensure commitments delivered, using current full range of sanctions if needed and without eg higher performance bonds
- deal with specific major events (eg HLOS changes or sustained major recession) in mature commercial manner as they arise - not pre-set periodic reviews

The way forward

- if we make the right decisions now on franchises and wider reforms, we could have a much more self-sustaining railway within a generation
- a key feature is the need to redefine relationships & boundaries between key players eg TOCs, NR, DfT
- franchise reform must be considered alongside the wider emerging reform picture, including McNulty review and DfT's review of Network Rail
- given the busy timetable for letting several franchises in coming months and years, the work needs to be planned & tackled with pace

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