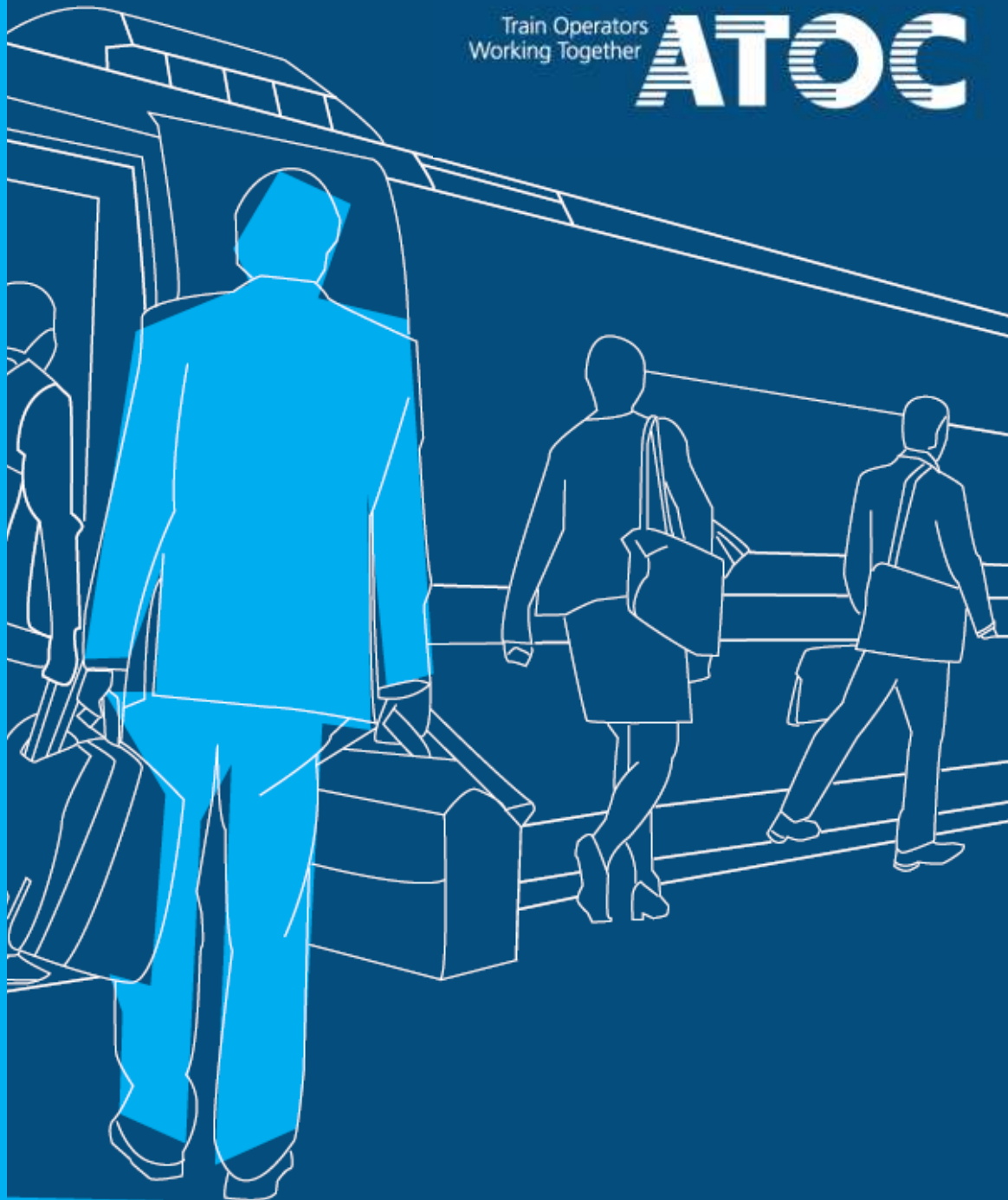


Train Operators  
Working Together

**ATOOC**

# Industry reform: The passenger operators' perspective

**Tom Smith**  
ATOOC Chairman



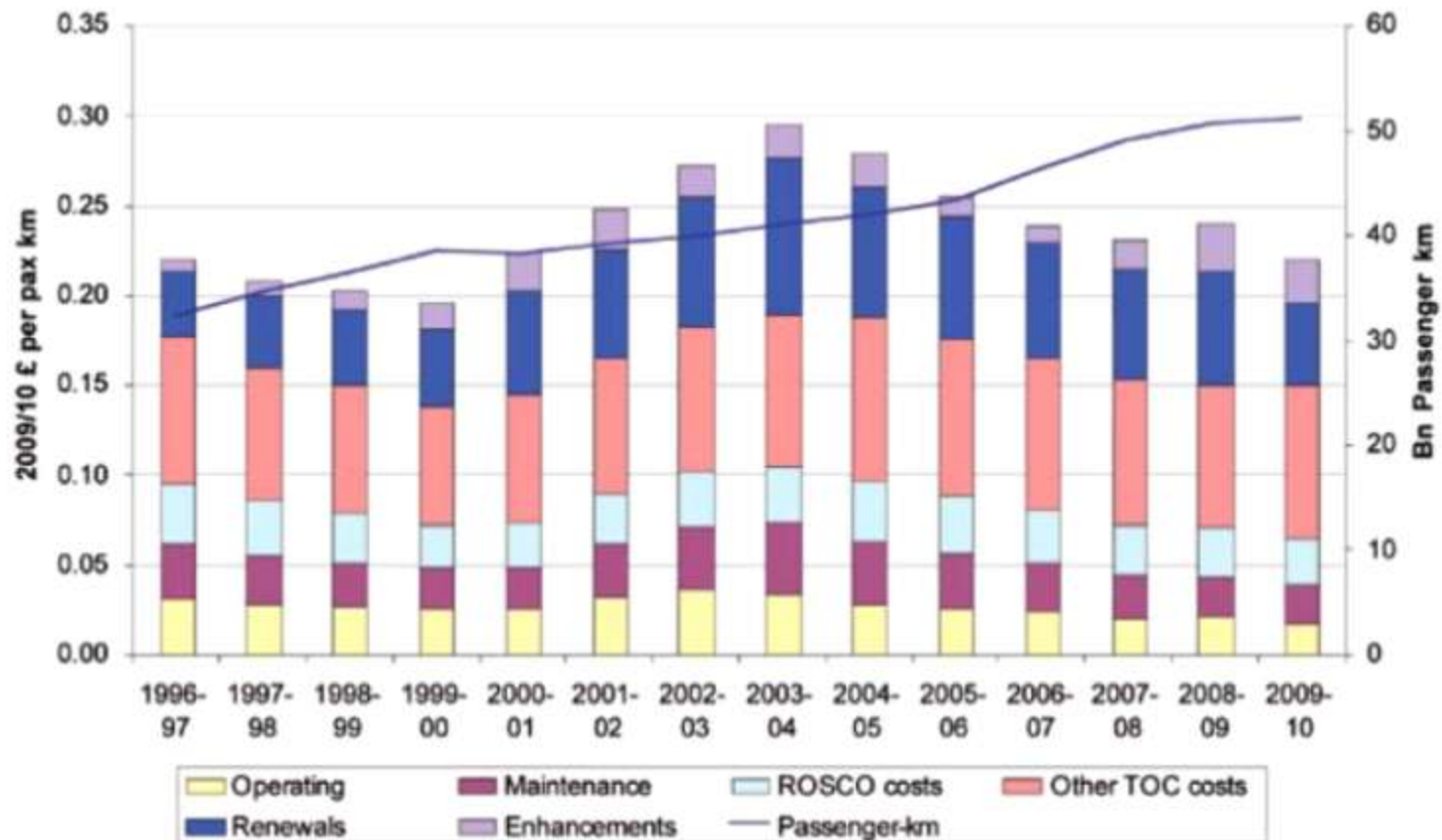
# We want to grow the role of rail in national life by working with others over the next 25 years to:

- Continue improving passenger satisfaction - to at least 90%
- Carry twice as many passengers as today, more quickly and better integrated
- Improve the product offer for freight customers resulting in high user satisfaction and a significant increase in rail modal share
- 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 CO<sub>2</sub> emissions in the longer term



# The problem Sir Roy McNulty wants to solve

Figure 2.3: Industry expenditure per passenger-km (2009/10 prices)



P21, McNulty Report

# 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 £0.7-1.2billion pa “efficiency gap” over the long term
- McNulty is very clear that Government has to change as much as anyone
- We also have a role to help Network Rail achieve an extra £0.5bn in savings, on top of planned efficiencies, and continue saving during CP5
- Welcome themes of greater industry leadership and more aligned incentives
- Future lies in a more business-like railway – with users 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:

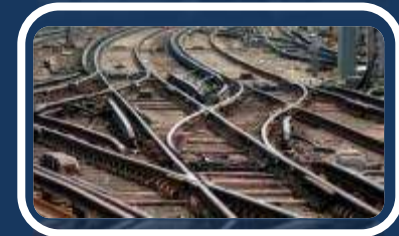
- longer franchises (15-20 years) as the norm & more emphasis on quality
- core service specification & additional services
- agreed outputs e.g. PPM, crowding, service quality
- continued ability to remove poor performers
- “horses for courses”



# 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
- Concerns about fragmentation should be addressed through a lean ‘one stop shop’ for access and timetabling



# 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)
- Government confidence in the railway as a key driver of economic and environmental agendas is very welcome
- 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

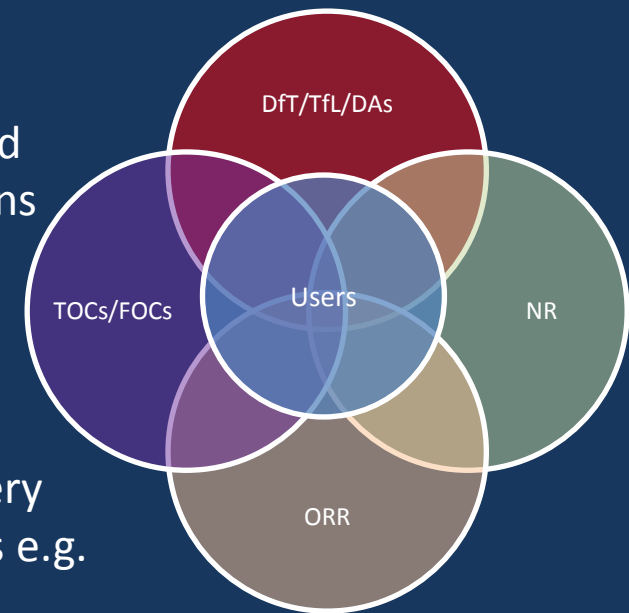
We will be engaging with the DfT fares review to demonstrate how the current approach has supported revenue & passenger growth but needs to be smarter to reflect modern railway:

- Keep regulation where needed, but apply more flexibly to reflect individual franchises (e.g. major investment)
- Targeted de-regulation, where rationale weak and can help passengers (e.g. simpler prices, better demand management)
- Support passengers' buying decisions with better information and new products (e.g. smart ticketing)
- Passenger revenue is now at £6.6bn pa, 48% of which goes to Network Rail to invest in the whole network



# Industry structural and cultural change must go together

- TOCs with more scope to lead (e.g. stations, retailing technology, 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 through the Rail Delivery Group to exercise leadership, building on existing models e.g. NTF and POG



## Conclusion

- Rail on threshold of new phase following BR and modern private era (OPRAF → SRA → DfT)
- VfM Review provides 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 users and taxpayers
- TOCs , owner groups and ATOC committed to follow through on reform