

How can we encourage more private investment in Britain's railways?

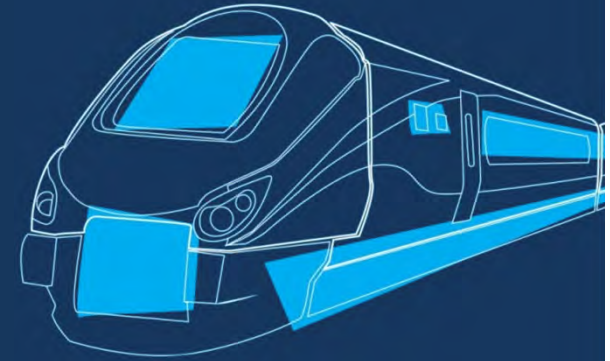
Tom Smith
Chairman, ATOC



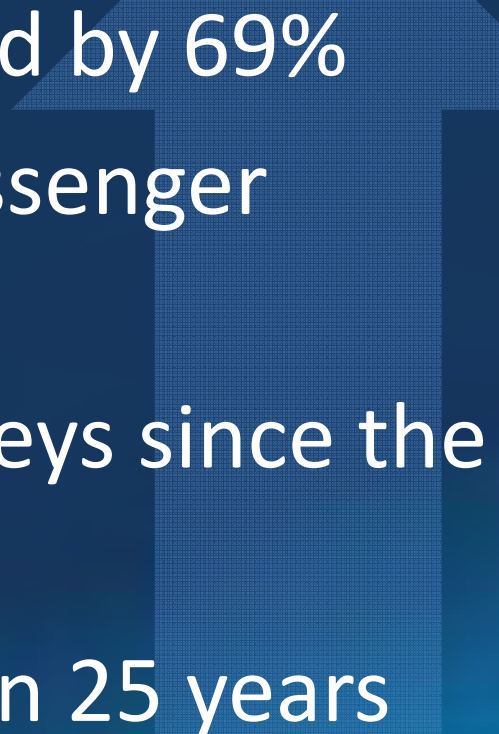
Train Operators
Working Together

ATOOC

ATOOC's mission is to work for passenger rail operators in serving customers and supporting a prosperous railway. Set up after privatisation in 1993, ATOOC brings together all train companies to preserve and enhance the benefits for passengers of Britain's national rail network.

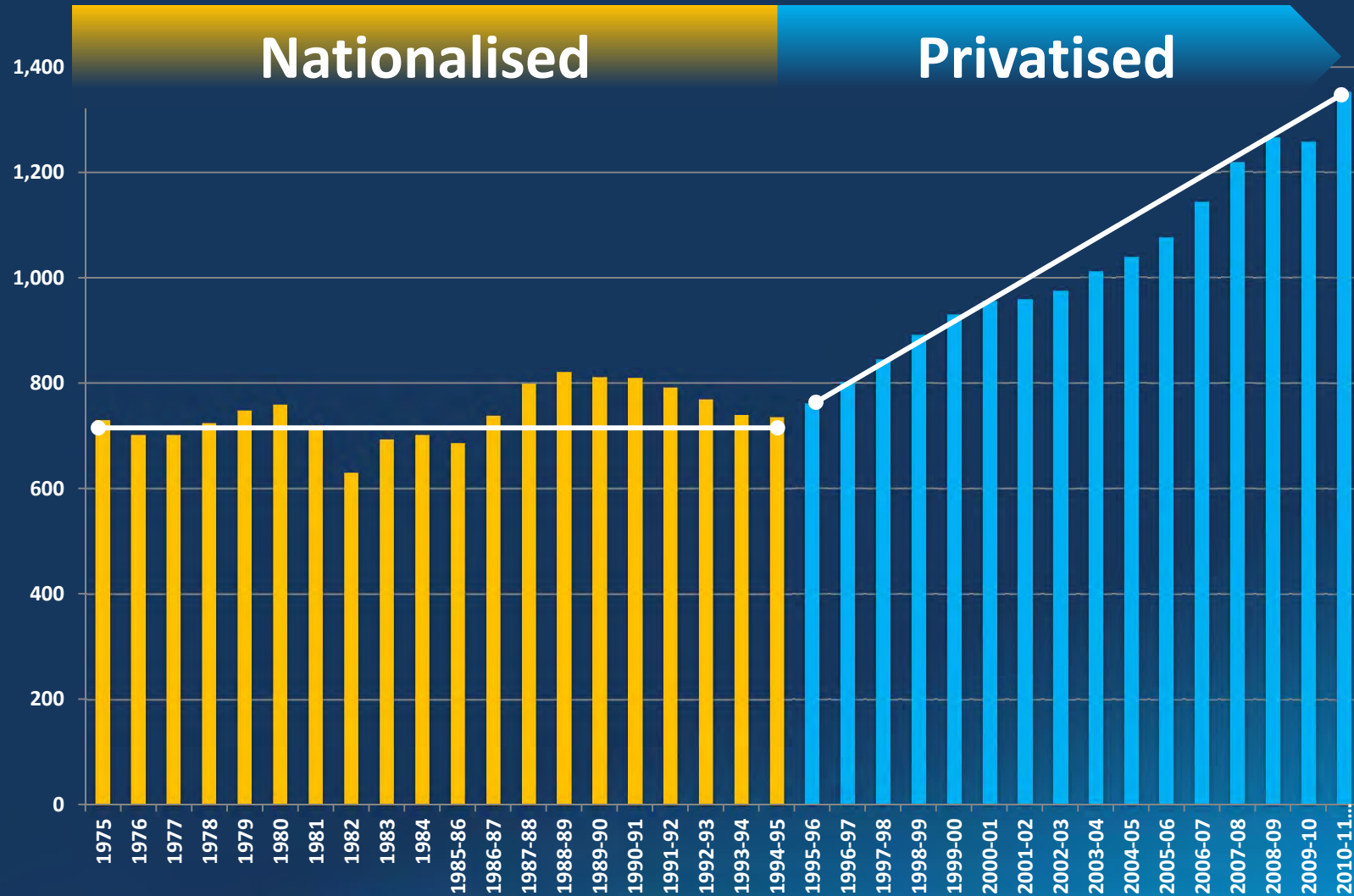


The privatisation success story

- Passenger numbers increased by 69%
 - Historically high levels of passenger satisfaction
 - Highest number of rail journeys since the 1920s
 - Demand forecast to double in 25 years
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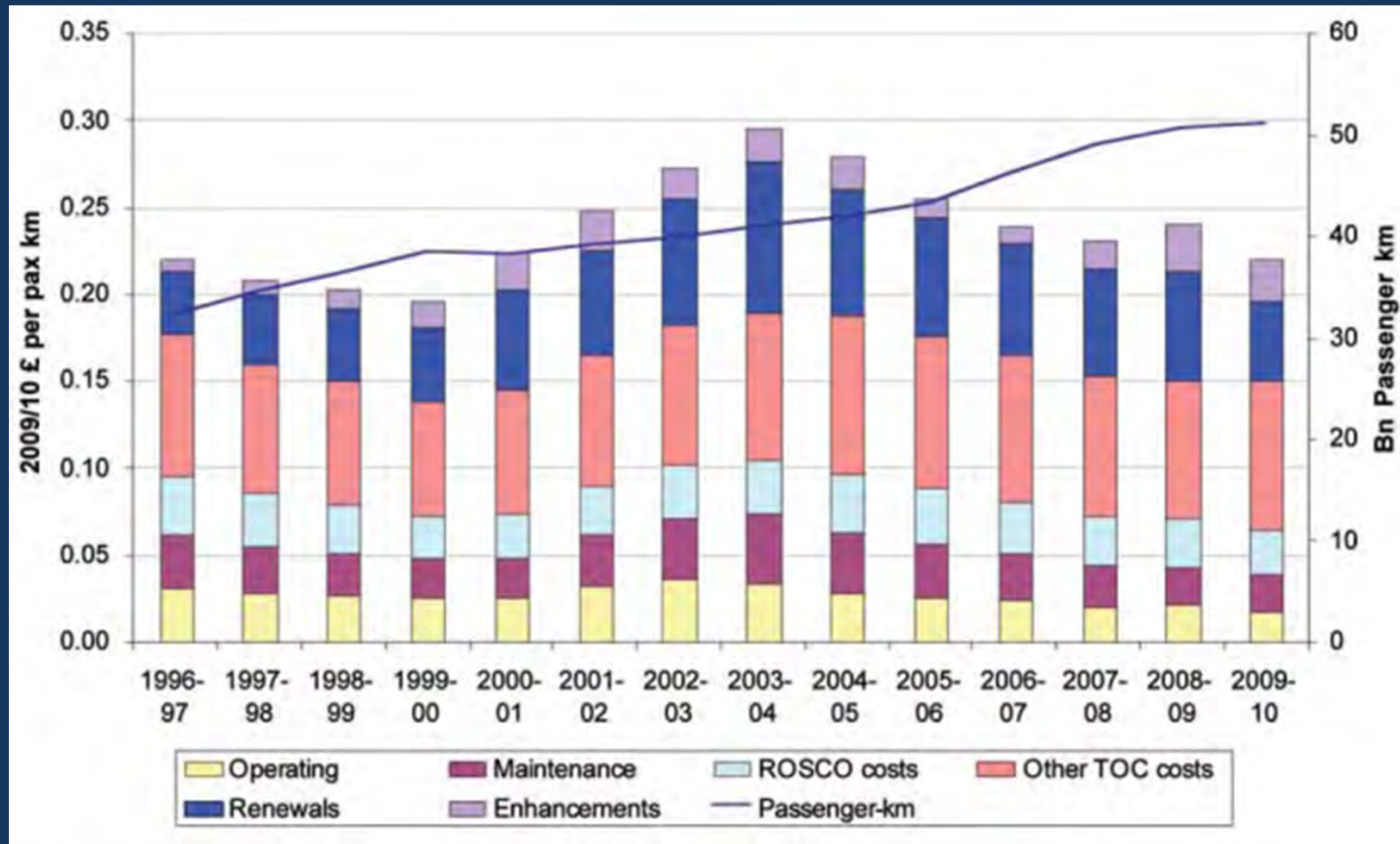
From a static to a dynamic national asset

Passenger journeys (millions) 1975-2011 – Source: ORR



The McNulty challenge

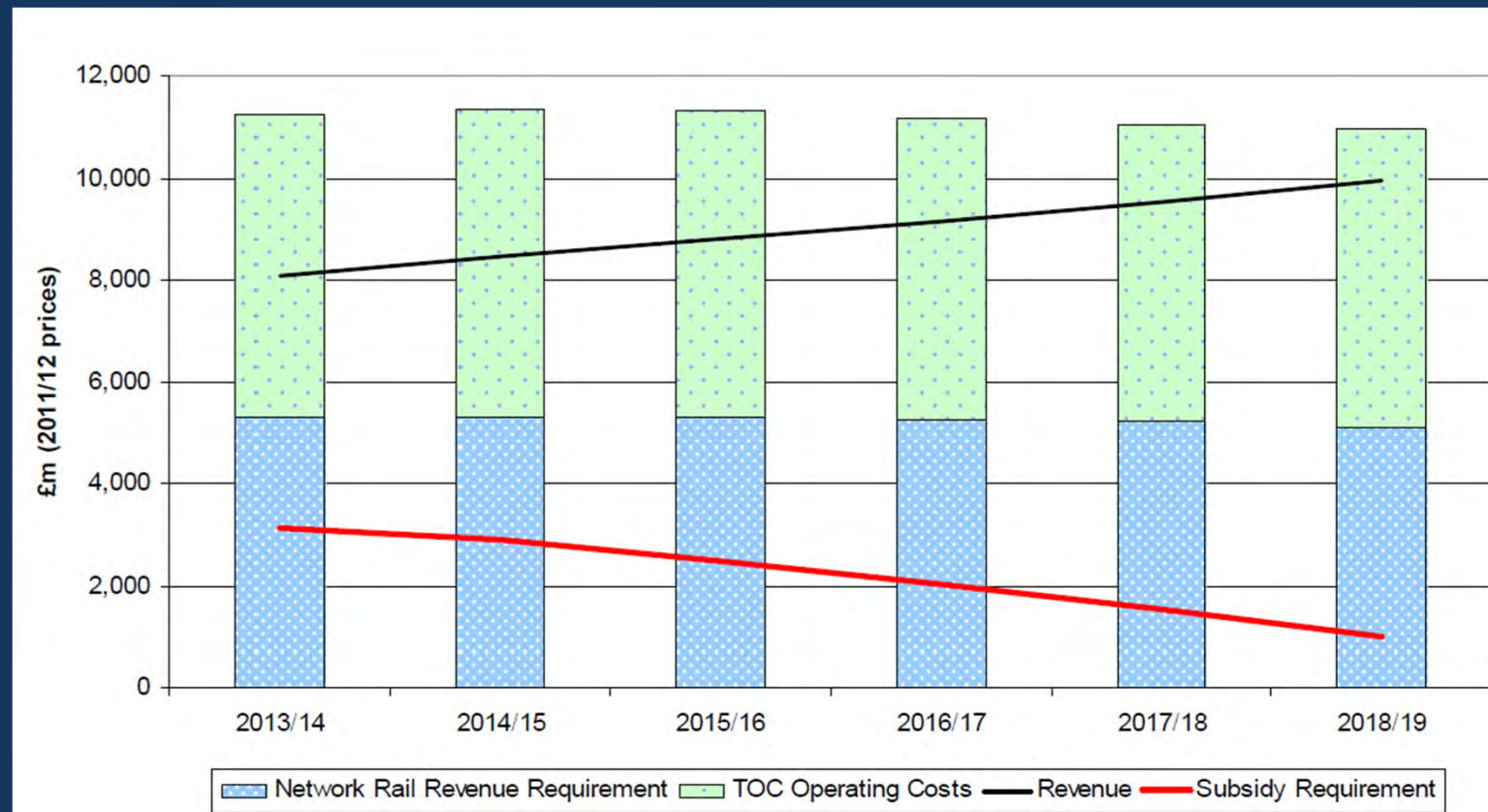
Costs (£bn) per passenger km – Source: Fig 3.6 McNulty full report



The Initial Industry Plan response

Costs, revenue and subsidy requirement, England & Wales to 2019

– Source: p7 IIP



How do we get there?

Franchise reform

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

Industry reform

Progressively transform Network Rail to create contestability and accountability with infrastructure provision

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

Unlocking more private capital

Targeted, sustained investment
Need to keep investing in network
and train capacity as demand
continues to grow

The good news

- Long term nature of assets
- Strong growth prospects
- Weathering the downturn well
- Railways have reasserted themselves as vital for the economy
- Interested capital is there



When it works, it works well

Many good examples of private sector leadership on the railways

New stations



New trains



Mainline

New services



New track

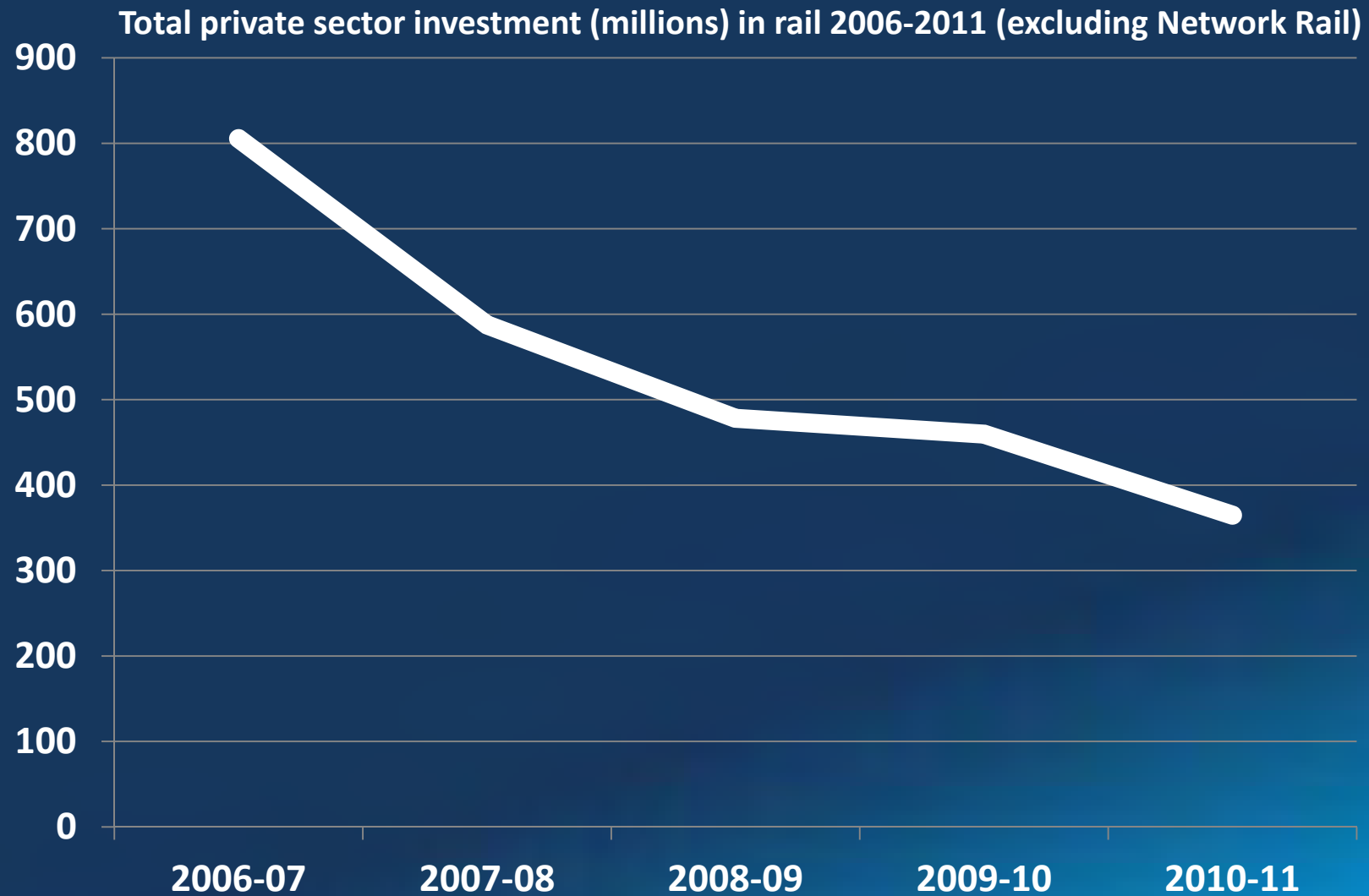


The bad news

- Investors are wary of rail
- Confidence low because franchises seen as short and unpredictable
- Government seen as ambivalent:
 - Wants innovation but unwilling to step back
 - And seems confused about the idea of railways generating private profit



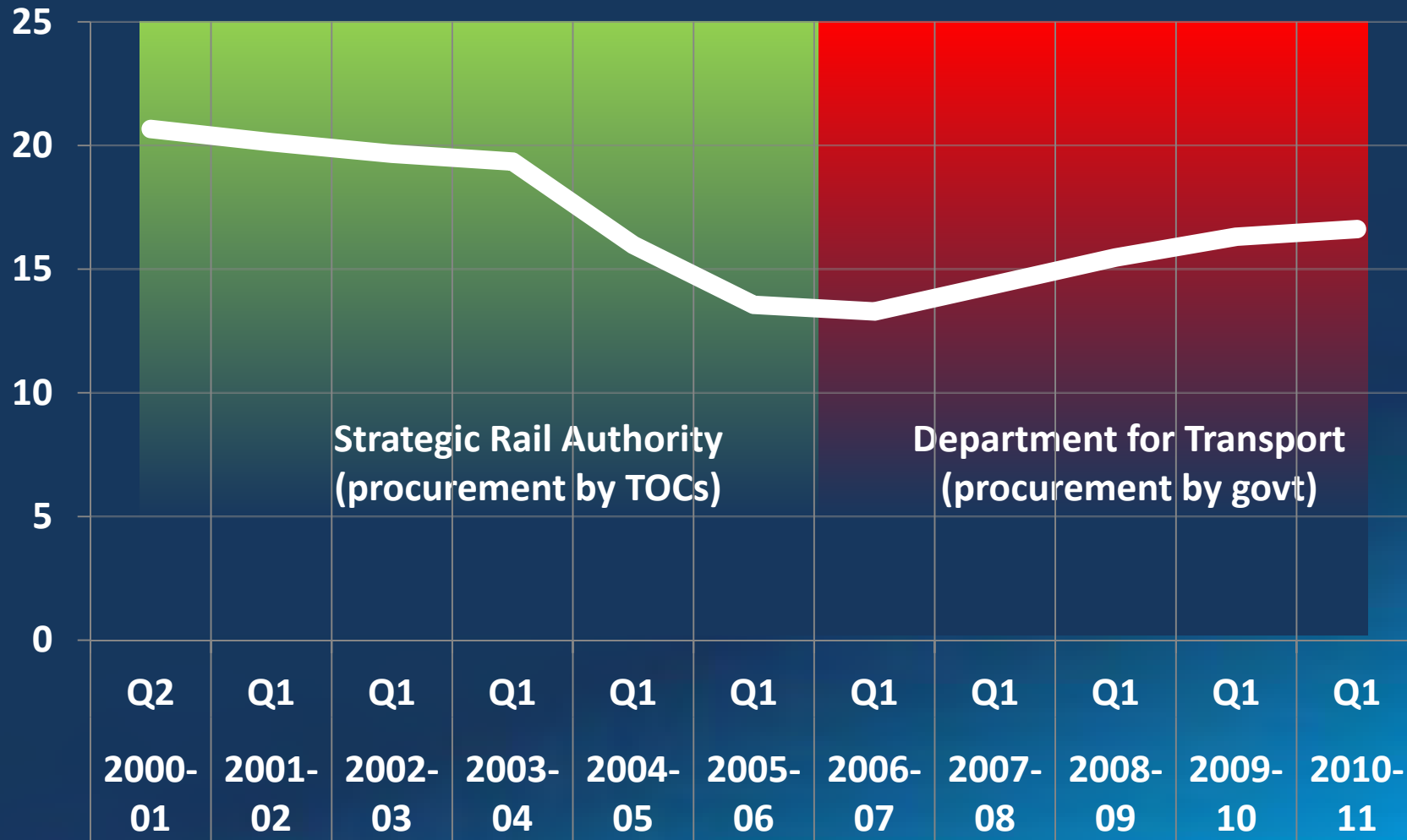
The outcome of this approach...



Source: ORR

Private sector vs. government

Average age of rolling stock (yrs) 2000-2011



Rolling stock proposals

- More responsibility to TOCs
- Industry to set an overall strategy
- Government to set the strategic context (HLOS/SOFA) and use guarantees only where they might offer better value
- ROSCOs to offer more flexibility on lease terms and maintenance arrangements
- Holistic industry approach to rolling stock, embracing depot strategy, standardisation and supplier relationships

Conclusions

- We need to reverse the trend
- Rail should be a magnet for private investment
- Current industry reform agenda gives us the opportunity
- Government needs to set the tone
- Investors must respond

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