The Implications of the Post-Hatfield Disruption for the Rail Industry

Association of Train Operating
Companies (ATOC)
Strategic Rail Authority

A Review Based on Available Research
Undertaken for: Railtrack

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Introduction

On October 17, 2000 a fatal derailment at Hatfield precipitated a major track assessment and replacement programme throughout the national rail network involving massive speed restrictions. The Hatfield incident was shortly followed by some of the worst flooding experienced in this country for decades. This added to the problems of the network. The delays caused have been the worst on record for the rail industry and are likely to continue into the New Year.

The long term objective of the Government is to move more journeys off the roads and onto rail. The structure of the rail industry at the time of privatisation was not ideally suited to facilitating long term growth of passenger traffic. The setting up of the Strategic Rail Authority, longer rail franchises and a financing structure designed to ensure that Railtrack was rewarded rather than penalised if the network carried more passengers, was designed to address some of the major barriers to achieving this.

It is perhaps ironic that, just as the industry is being restructured to incentivise Railtrack and the TOCs to attract more passengers, it has experienced probably the biggest and most sustained deterioration in service ever. Thousands of passengers have been forced to use other modes for their journeys or to cancel their travel plans altogether. As a consequence, public confidence in the railway system in general, and Railtrack in particular, has been undermined. The fundamental question this paper sets out to address is: *What does research among the general public tell us about the likely (long term) affects of the post-Hatfield disruption on the rail industry and how the industry should respond?*

Available Research

There have been only four pieces of research among the general public/rail users, since the Hatfield incident. Though useful, none of them were specifically designed to address the critical issues. They were:

- Two group discussions conducted for **Railtrack by Diagnostics** in November 2000 among commuters aged 25-45 drawn from the BC1C2 social classes using mainline London stations such as Waterloo, Paddington, Victoria or London Bridge (but not Euston, St Pancras or Kings Cross).

  This research was essentially designed to provide guidance for advertising executions. In order to do that part of the group discussions were devoted to investigating current perceptions of the rail industry and Railtrack. Although very small in scale, it gives strong insights into how commuters are feeling with respect to the recent difficulties which are consistent with how we would expect them to respond based, particularly, on qualitative research conducted for the Railway Forum[1] and Railtrack [2] in 1999.

[1] Winning Hearts & Minds – Qualitative research conducted for The Railway Forum by MORI – February 1999

[2] Public Attitude to Transport Issues & Modes – Qualitative research conducted for Railtrack by MORI - December 1997

- A telephone survey conducted for **ATOC by SWR Worldwide** on November 6-13, 2000, among 879 rail travellers, including 566 'commuters' (those who use the railway system 'every' or 'most days').

  This survey was designed essentially for publication and consisted of just two questions. One looked at rail travellers' greatest concern about safety improvements, the other at what they considered the most important information they would want should there be delays or disruptions.

- A telephone survey conducted for the **Daily Telegraph by Gallup** on November 1-7, 2000, among a representative sample of adults throughout Great Britain.

  This looks at current perceptions of how safe the railways are and who is to blame for the current crisis.

MORI has conducted more research about public attitudes to the rail industry nationally, and also public attitudes to companies in scores of other sectors, than any other research agency in Britain. Consequently we are able to draw from this to supplement this research. These surveys are referred to throughout the text.

Executive Summary

- The Ladbroke Grove incident in October 1999 knocked public confidence in the safety of the network.

- This probably did not affect demand but did move safety on to the communications agenda.

- It also adversely affected the image of the rail industry in other ways but these more or less recovered over the subsequent six months.

- Hatfield would have increased anxiety about safety to the point of the public needing additional reassurance. This in itself would probably not have affected demand for rail travel significantly.

- However, the speed restrictions and resulting delays and cancellations undermined the main core service. This has significantly adversely affected the reputation of the industry as a whole and Railtrack in particular.

- It has also led to a change in travel patterns for many rail users, some of whom will not return for some time, if ever.

- The degree to which they can be won back will depend on how effective the industry is at building confidence in its ability to deliver reliable services.

- This will depend on a) actual reliability returning to at least pre-Hatfield levels and b) communications which convey a strong sense of having taken responsibility for the problem, re-instated reliable services and long term commitment to maintaining and improving these services.

- Arguably there are five types of investment the industry needs to make. Investment to:

  1. bring the network up to acceptable safety standards
  2. achieve a high standard of reliability
  3. increase capacity
  4. improve other facilities and services
  5. build relations with customers (and other stakeholders)

- Traditionally the industry has focused on 1 & 2, with 1 being given a greater priority as a result of the Hatfield crash. Plans are in progress to deliver on 3 and 4, notably the recent station regeneration programme.

- 5 has traditionally been a very low priority with communications largely confined to providing information to passengers and reacting to press or other inquiries. This has been reflected historically in very poor favourability and customer satisfaction ratings relative to other sectors.

- Part of this is due to being traditionally an industry which is not customer driven. Partly it is because capacity and service inadequacy means the industry does not have the quality 'products', which the customers want, to promote.

- If the most benefit is to be gained from 1-4 it needs to be coupled with 5.

- Although the public want to feel proud of the railway system and would like to see it improved to become one of the best in the world, they do not feel involved, consulted or sufficiently well informed.

- Experience from other sectors hit by sharp declines in favourability suggest the rail industry is likely to take years to recover its reputation.

- There will have been a long term loss of passengers, though it is difficult to estimate how many.

- Congestion on the roads and the dependence of many people's lifestyles on rail travel will drive many people back to rail so long as their confidence is restored.

- Long term the poorer image of rail as an industry is likely to have the effect of flattening the growth curve.

- Very long term, there will be no renaissance in the industry unless a) the fundamentals of safety, reliability and capacity are put right and b) the industry becomes much more focussed on responding to customer needs.

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MORI/14032

Main Report

Context

The rail industry has traditionally had a poor image, which dates back to before privatisation.

Only the nuclear industry has had a consistently poorer image among the privatised sectors.

MORI research for Railtrack between 1997 and May 1999 illustrates this. While most companies command considerably more favourable than *un*favourable ratings, Railtrack has generally had slightly more *un*favourable than favourable ratings.

Between November 1997 and May 1999 between 15% and 20% of the public were favourable to Railtrack and between 17% and 24% were unfavourable.

However, favourability for the Train Operating Companies has generally been more positive.

Moreover, long distance services have traditionally been less well regarded than local rail services.

Between November 1997 and May 1999 between 24% and 27% of the public were favourable towards 'long distance rail services' and 12% to 15% were unfavourable.

For 'local rail services' favourability fluctuated between 30% and 34% between November 1997 and May 1999 and unfavourable ratings fluctuated between 10% and 14%.

Q	***How favourable or unfavourable is your overall opinion or impression of Railtrack/Long Distance/Local Rail Services?***								
Railtrack	**Nov 1997**	**Feb 1998**	**Mar 1998**	**May 1998**	**July 1998**	**Sept 1998**	**Nov 1998**	**Feb 1999**	**May 1999**
Base: All asked who have at least heard of Railtrack	*(837)* %	*(838)* %	*(833)* %	*(846)* %	*(892)* %	*(883)* %	*(796)* %	*(688)* %	*(893)* %
All									
Favourable	20	17	16	18	18	15	16	16	18
Unfavourable	20	17	24	24	17	21	23	21	20
Net favourable (±)	0	*	-8	-6	+1	-5	-6	-5	-1
Long Distance Rail Services									
Base: All asked who have at least heard of long distance rail services	*(763)* %	*(732)* %	*(738)* %	*(759)* %	*(717)* %	*(824)* %	*(748)* %	*(590)* %	*(852)* %
All									
Favourable	26	23	25	27	25	27	25	25	26
Unfavourable	15	12	13	15	13	12	14	13	15
Net favourable (±)	+10	+10	+12	+12	+12	+14	+10	+12	+12

Favourability - Local Rail Services

Local Rail Services	Nov 1997	Feb 1998	Mar 1998	May 1998	July 1998	Sept 1998	Nov 1998	Feb 1999	May 1999
Base: All asked who have at least heard of local rail services	*(856)* %	*(914)* %	*(875)* %	*(853)* %	*(835)* %	*(933)* %	*(864)* %	*(727)* %	*(957)* %
All									
Favourable	34	32	34	33	32	32	30	31	33
Unfavourable	12	12	11	14	10	12	13	10	13
Net favourable (±)	+22	+20	+23	+19	+21	+20	+17	+21	+20

The poor image of the rail industry can be attributed largely to two things:

- When in the public sector it had to compete for cash to invest and therefore priority was given to providing a basic, but well maintained service, but not one that excelled in delighting the customer.

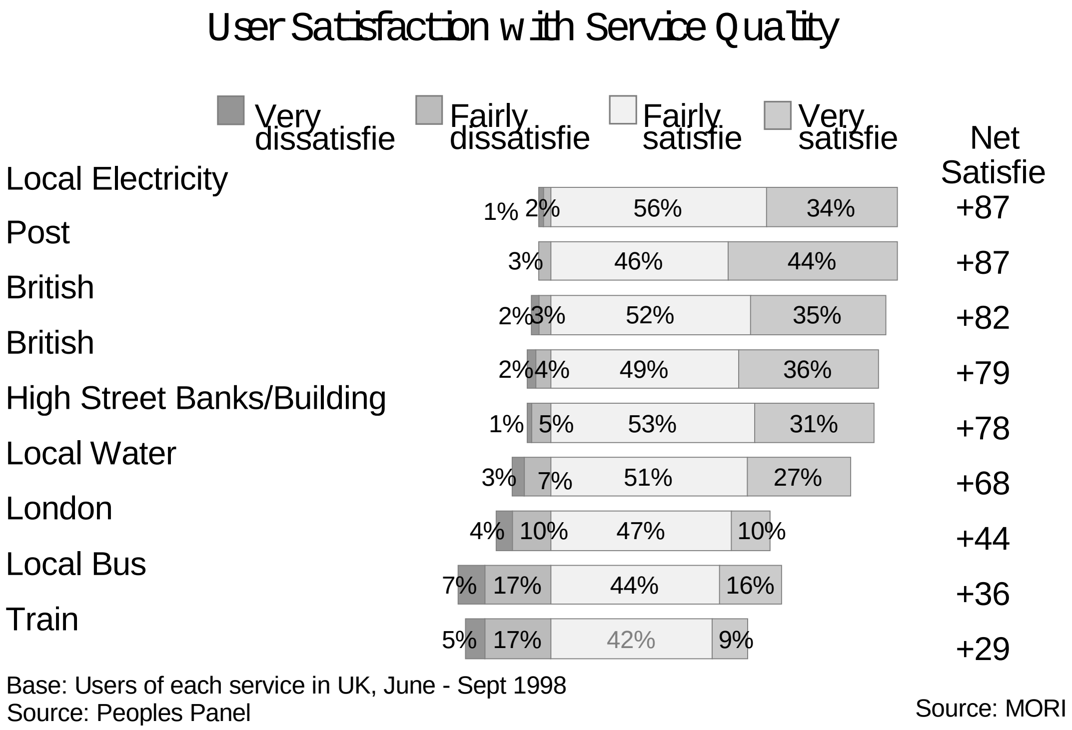
- It has traditionally behaved like an industry set up to manage infrastructure not to build market share.

Although with privatisation some parts of the industry (notably the TOCs running long distance services) did become significantly more marketing orientated, most did not, often because the capacity of the network meant they could not meet demand without compromising an already poor level of service (notably overcrowded trains).

Rail customers rate the quality of service they receive significantly worse than customers of most other industries, this means that many are using the services not because they find them particularly attractive, but because they feel they have no practical alternative.

MORI research for the People's Panel[3] showed 'train companies' to have the lowest level of satisfaction of a range of utility services and private sector service providers.

[3] People's Panel research conducted for the Cabinet Office, June-September 1998



Research for Railtrack showed that in May 2000 one-third of frequent rail travellers regarded the overall level of service provided by Railtrack as either 'very' or 'fairly poor'. This compared with only one in four who regarded it as 'very' or 'fairly good'.

By contrast three times as many rated the services provided by 'local rail services' and 'long distance rail services' as 'very/fairly good' than as 'very/fairly poor' (48% vs. 18% and 47% vs. 15% respectively). However, these figures are hardly glowing recommendations. In each case around one in four rated them as 'neither good nor poor'. To provide a comparative perspective, you would normally expect leading brands in the High Street to achieve 'very/fairly good' ratings of 85% to 95% among their own customers.

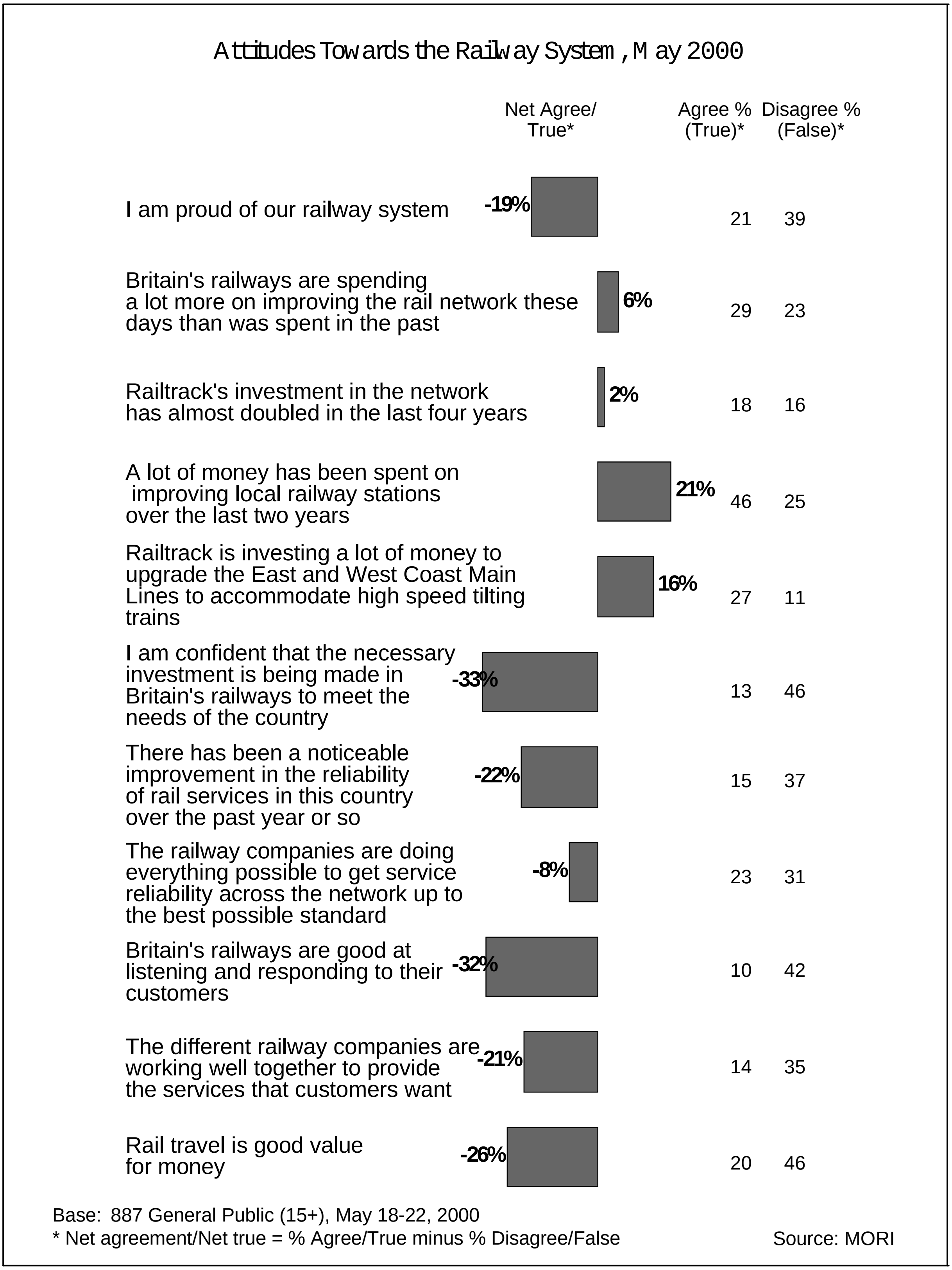
Other measures illustrate the very poor image of the rail industry and the lack of confidence people have in its ability to address the fundamental issues. MORI research for Railtrack and ATOC in May 2000 showed:

- Only one in five members of the public agreed that 'I am proud of our railway system'. Twice as many disagreed.

- While more generally recognised that substantial investment was being made in the rail network, only 13% said they were 'confident the **necessary** investment is being made' and 46% disagreed. In other words the investment commitment is perceived as not nearly enough.

- On balance the view was that there had been no noticeable improvement in reliability over the previous year or so, the rail companies were **not** doing everything possible to get service reliability up to the best possible standard, nor were 'Britain's railways good at listening and responding to their customers'.

- Only 20% thought rail travel was 'good value for money'; 46% disagreed.



The Impact of Ladbroke Grove

Although this paper is essentially about the impact of the Hatfield rail crash and its aftermath, it is instructive to also look at the impact of the Ladbroke Grove rail crash in October 1999 for following reasons:

- there is virtually no research conducted post-Hatfield from which to draw conclusions
- the research that exists was not designed to measure changes in public opinion to the railways in the same way as the MORI tracking research up to May 2000 was designed to do
- there were significant changes in how the public viewed the railways after Ladbroke Grove which we can use to infer what is likely to have happened post Hatfield
- after Ladbroke Grove there do appear to have been some fundamental changes, particularly with respect to perceptions about safety, which it would be as well to acknowledge were there before the Hatfield incident.

Between November 1997 and May 2000 MORI was tracking the reputation of Railtrack and 'long distance rail services' and 'local rail services[4]'. In addition, in May 1999, November 1999 and May 2000 MORI measured how the public felt on a range of attitude statements identified by qualitative research[5] as ones which needed to change for the public to become fundamentally positive towards the rail industry and rail as a mode of travel. These give us measures five months before, one month after and seven months after Ladbroke Grove.

Prior to Ladbroke Grove, the image ratings of Railtrack and 'long distance and local rail services' had been very stable. This is consistent with our experience of the images of major companies generally. Unless something very major occurs – either a very heavy weight communications campaign or a crisis or other major event which generates a great deal of (usually negative) publicity – then images change relatively slowly. Consequently, we can take these measures as reflecting the short term, and long term, impact of the Ladbroke Grove incident on public attitudes.

Generally the effect of Ladbroke Grove was short lived. By May 2000 most measures had returned to about, or slightly worse, than those achieved in 1999 May.

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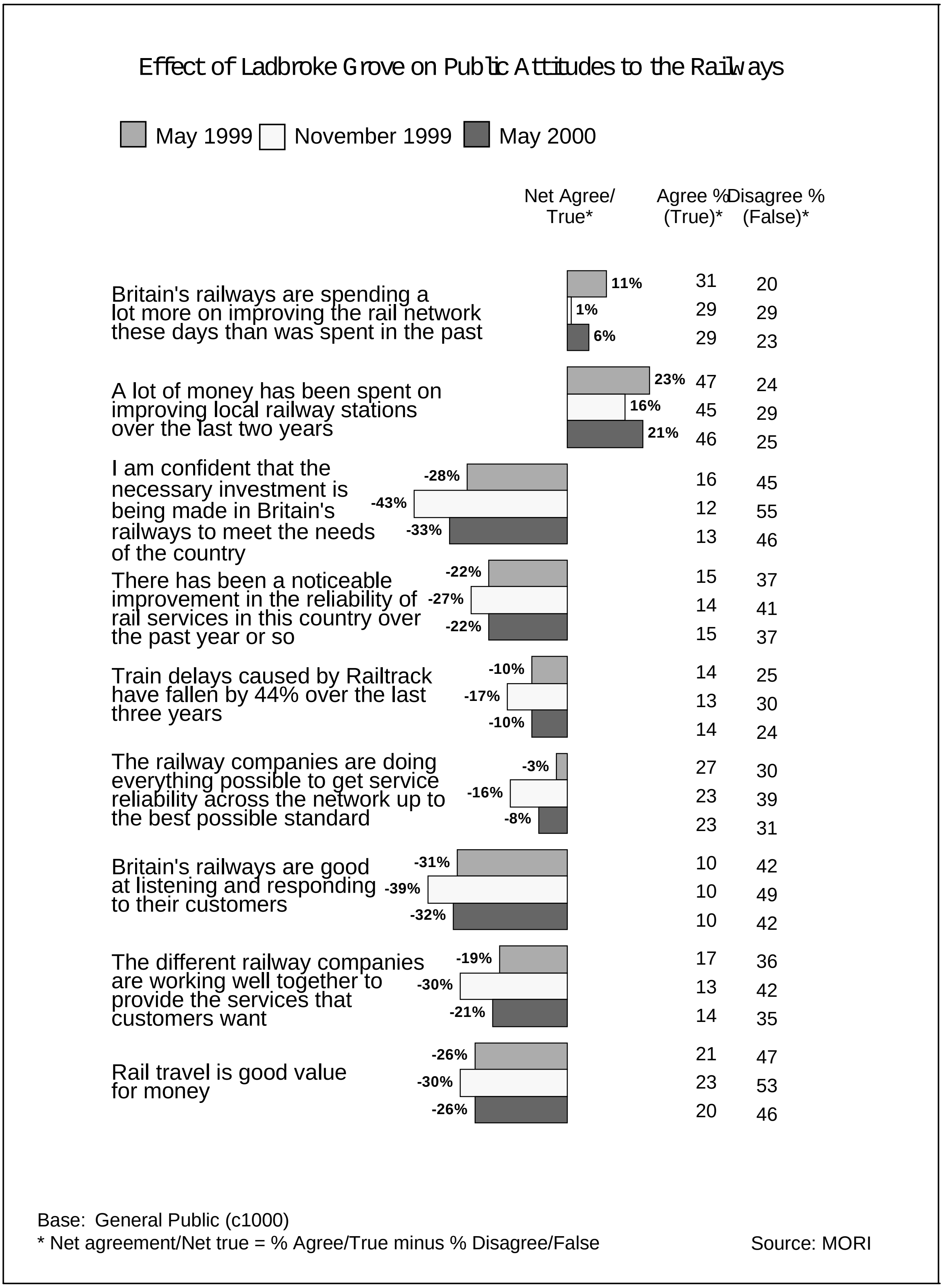
[4] General Public tracking research undertaken for Railtrack bi-monthly November 1997-April 1999, six monthly May 1999-May 2000

[5] Ibid. Winning Hearts and Minds



Where there does seem to have been a more lasting shift, however, is in perceptions towards safety. The research evidence prior to Ladbroke Grove suggested that the public generally saw rail as a safe mode of transport. In May 1999, 84% of the public agreed that 'you are more likely to be injured if you travel by road than if you travel by rail'. Qualitative research had indicated that safety was almost exclusively associated with personal safety and security rather than with the risk of crashes. Safety was not generally a 'top of mind' issue for most travellers. Asked what would make them be inclined to speak more highly about Railtrack, long distance or local rail services, 'safety' was rarely mentioned by more than a few percent.

That all changed after Ladbroke Grove. Indeed, not only did the November 1999 survey show safety featuring more prominently, but it apparently became even more of an issue as time went on. Thus, the proportion of the those agreeing that 'you are more likely to be injured if you travel by road than if you travel by rail' declined from 84% in May 1999 to 79% in November 2000 and 75% in May 2000.

Perhaps even more significantly, the proportion mentioning safety issues among those things Railtrack would need to do to make them think more highly about the company, increased from 3% (May 1999) to 20% November 1999 and 24% in May 2000[6].

Ladbroke Grove introduced a new word to the media and public's lexicon – SPADs. It seems likely that the continued coverage in the media of 'signals passed at danger', as well as media coverage of the public inquiry, served to sensitise the public far more to the underlying safety issues of running a railway.

However, the issue seems to have become almost uniquely associated with Railtrack rather than the train operators. The proportion mentioning safety among the things that would make them speak more highly about the 'local' or 'long distance rail services' increased from 2% in May 1999 to 5% in November 1999 for long distance and stayed the same at just 3% for local rail services. (We have no measures for May 2000).

The Diagnostics research also notes that it is Railtrack which is 'associated with crashes – when they appear' and 'the centre of blame for crashes'.

Overall, also, the main brunt of changes in attitudes to the industry seem to have been born by Railtrack rather than the Train Operating Companies. While Railtrack's reputation deteriorated significantly and only partially recovered, the reputations of 'long distance rail services' and 'local rail services' changed very little between May and November 1999. (We have no measures for May 2000 for 'local' or 'long distance rail services').

Railtrack	May 1999	Nov 1999	May 2000
	%	%	%
Favourable	18	13	14
Unfavourable	20	37	29
Net Favourable	-2	-26	-15

[6] based on of those who had heard of Railtrack and expressed an opinion

Long distance rail services

	%	%	%
Favourable	26	21	n/a
Unfavourable	15	16	n/a
Net Favourable	+11	+5	n/a

Local rail services

	%	%	%
Favourable	33	31	n/a
Unfavourable	13	14	n/a
Net Favourable	+10	+17	n/a

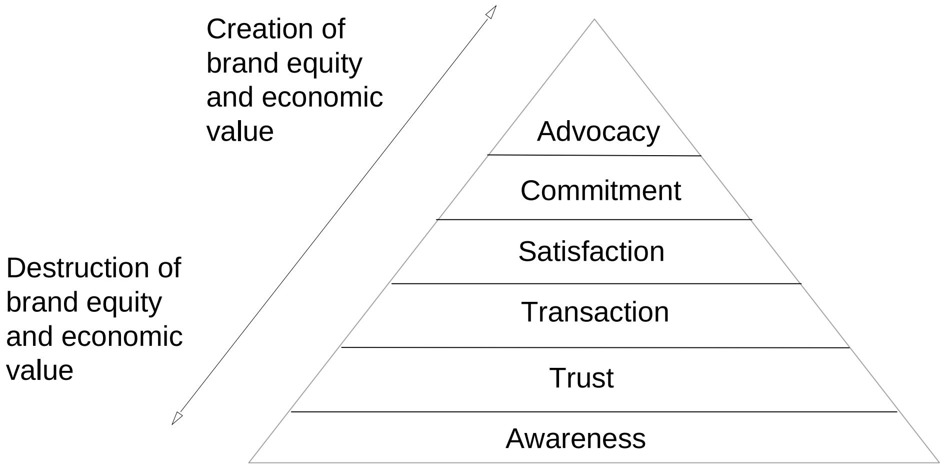
There was a similar pattern in terms of service ratings and advocacy (see below).

The Links Between Reputation and Value Creation

The MORI Excellence or Relationship Hierarchy Model, developed by MORI, provides a framework for understanding the process by which brand equity is created and converted into economic value. The basic idea is that relationships ideally pass through six stages: awareness, trust, transaction, satisfaction, commitment, and advocacy.

A successful company will establish high awareness among its target consumers, build sufficient confidence or trust in its brand to encourage them to enter into a transaction. If the services meet or surpass expectations then high levels of satisfaction will lead to repeat purchase and willingness to pay more for the service and added value services. Growth in the market is driven by customers being willing to recommend the business to others if asked (commitment) or if they are really delighted by the service they will recommend it without being asked (advocacy).

MORI Excellence/Relationship Hierarchy Model



Source: MORI

Even before Ladbroke Grove, Railtrack had a very poor profile in terms of this model which significantly weakens the overall brand equity of the industry.

In the case of Railtrack and the TOCs the essential brand is ‘rail travel’ in the sense that if the public lose confidence in, or have a poor image of, rail travel then the ‘brand equity’ of the suppliers is damaged. Although the TOCs are responsible for the end delivery, Railtrack are an integral part of the service delivered. The travelling public are as much customers of Railtrack as they are of the TOCs. This is now recognised in the new financial structure of the railways.

As we have seen, favourable ratings among the general public, and satisfaction ratings among rail users, are very poor. Consequently so too are levels of commitment and advocacy.

It is very unusual for more people to be critical than to speak highly of any company. In the case of Railtrack, between three and four times as many of the public were critical as willing to speak highly about the company prior to Ladbroke Grove. In May 1999 5% of the public would speak highly and 16% would be critical of Railtrack, if asked their opinion. The rest would be neutral largely reflecting the fact that half the population do not travel by rail at all.

Even among frequent rail travellers, more than twice as many were generally critical as would speak highly of Railtrack – May 1999 10% critical, 24% speak highly.

The implication of this is that even before Ladbroke Grove, the general orientation of the public was to put Railtrack down rather than build it up, providing a powerful force against any initiative designed to move the industry forward.

By contrast the public were between one and a half and two times as likely to talk up the long distance and local rail operators as to talk them down and among frequent travellers the ratios were between two and four times.

The Likely Impact of Hatfield

We can only infer what the likely impact of Hatfield and the post Hatfield disruptions will have on public attitudes and behaviour from what we have measured with respect to Ladbroke Grove and from our observations of other companies which have undergone major traumas of a similar scale.

What seems very likely is that the impact of Hatfield is, and will be, significantly greater on the rail industry than previous incidents for a number of reasons:

- It has had a direct personal impact on virtually every rail traveller in the country
- The disruption caused by the speed restrictions and consequent delays and cancellations will be sustained until well into the new year
- It has become a major political issue in a run up to the General Election
- It comes at a time when companies are considering their submissions for the next round of franchises
- It comes at a time when significant investments are being made to encourage greater use of buses as part of the transport policy and when the Government appears to be relaxing its control of investment in new roads.

If we were to update the May 2000 research, our best guess of what it would show would be as follows:

- Railtrack's reputation would have deteriorated massively, even from its very low base.
- Safety would feature even more as an issue strongly associated with Railtrack, though now focusing on cracked rails.
- Favourability ratings of 'local' and 'long distance rail services' would also have declined sharply, though not by as much as Railtrack.
- Satisfaction with the service of 'local' and 'long distance rail services' are now, most probably, on balance negative, especially among frequent travellers.
- Advocacy ratings for 'local' and 'long distance rail services' are now quite likely to be on balance negative, along with Railtrack's, for the first time ever.
- Ratings on the image measures will have deteriorated to a far greater degree than they did after Ladbroke Grove, not only in terms of reliability and the adequacy of investment but also in terms of confidence that the industry is investing at the right level and listening, and being responsive to, customers.

The impact on the Train Operating Companies' image is likely to have been less than on Railtrack's image. For one thing, Railtrack have publicly taken responsibility for the Hatfield incident. For another, most media attention has been on what Railtrack is doing to identify and repair broken rails and when it will lift the speed restrictions.

However, we also know that the public is confused about what exactly Railtrack and the TOCs respectively do and poor service, whatever the cause, is likely to rub off on both parts of the industry.

One can therefore assume the reputation of the operators has also been significantly damaged. This is supported by the Gallup poll undertaken between November 1 and 7 which found that while 54% said that Railtrack were ‘greatly to blame for the crisis on Britain’s railways’ 47% also said the rail operating companies were ‘greatly to blame’.

Q There is a lot of talk at the moment about who is to blame for the crisis on Britain's railways. Could you tell me for each of the following whether you think it is greatly to blame, somewhat to blame, only a little to blame or not at all to blame?

	Greatly to blame	Somewhat to blame	Only a little to blame	Not at all to blame	No Opinion
Railtrack %	54	27	12	4	3
The rail operating companies %	47	28	15	5	4
The last Conservative Government %	42	28	17	9	4
The present Labour Government %	15	37	29	17	3

It seems likely that safety will now be a long term feature of how people regard Railtrack and the rail industry in a way that it was not prior to Ladbroke Grove. Certainly the Gallup indicated that the public were apt to blame Railtrack for not doing its job properly in the past rather than thinking they are over-reacting or have done the best they can in the circumstances.

Q Still thinking about the railways, which of the following statements comes closest to your own view?

	%
The railways have never really been dangerous and Railtrack is overreacting by doing so much work and causing so much disruption all at once	8
The railways have been dangerous all along and Railtrack should have taken steps earlier to check the rails and to replace cracked or broken ones	77
Railtrack has all along behaved responsibly and handled the situation as well as could reasonably be expected	12
No opinion	3

However, the Diagnostics qualitative research in November noted that consumers are 'worried about safety when prompted', suggesting that it is not raised as an issue spontaneously, and that it would be wrong to over react. Fundamentally, the issue of safety in the sense of personal security is more likely to be deterring people from using the railways than a concern about being involved in a rail crash. At the end of the day the travelling public will give greatest weight to their own direct experience of the railways rather than relying on media coverage where crashes, in any case, are news because they are so unusual.

Nevertheless, the current delays are necessarily keeping the issue of cracked rails, and therefore safety, in the public eye.

The Diagnostics research supports the view that many people will now have moved to the opinion that the system is, as the Diagnostics report puts it, ‘clearly in decay’. Moreover this is poignantly evidenced by their own experience of ‘delays and cancellations, overcrowding, the physical state of the stations and trains, physical state of the track – litter, weeds’.

Although safety has moved more to the forefront of people’s minds, even now, this concern is unlikely to be the one deterring significant numbers of people from travelling by rail, nor the major factor in damaging the image of the industry generally. Like airline travel, safety considerations are rarely the reason why someone chooses to travel by rail or not. As far as the public are concerned, they assume that public transport operators, of whatever mode, make safety a fundamental priority. Other factors are much more important to the day to day travel decisions of the general public. The most important of these is service reliability.

Reliability

It goes without saying that if a service is published to run according to a certain timetable that travellers will depend on that commitment being met. If it is not then, for most travellers, this will interfere in an unacceptable way in their schedules. In some cases it will involve loss of earnings or loss of business.

The provision of a reliable train service is the core business of the industry. If it cannot do that then all other services are irrelevant. It is where supplier meets customer at the most fundamental level. On this service all the value created by the industry depends. When this fails massively then value is destroyed to a massive degree – as is happening now.

Even when services were ‘normal’, service reliability always featured as one of the major factors identified for improvement. In research for Railtrack in 1998 30% identified ‘reliability of service’ among the factors which made them anxious about using rail – second only to ‘cost’[7]. Research for the Commission *for* Integrated Transport[8] in April 2000 found 37% of the public identifying ‘reliability of service’ among those things which would have to improve for them to consider using trains more - about as many as ‘frequency of service’ (38%) with only ‘cost of tickets’ scoring higher. In the Railtrack general public tracking research ‘efficiency/punctually/reliability’ was the most mentioned category of improvements the public said they wanted in order for them to speak highly of Railtrack until November 1999 when Ladbroke Grove pushed safety to the forefront.

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[7] Public Attitudes to The Transport System in Britain – quantitative survey of the general public conducted by MORI for Railtrack in association with the RAC, CPT, BAA, Sustrans and the Pedestrians Association – February 1999.

[8] The CfIT: Public Attitudes to Transport in England – survey conducted by MORI for The Commission *for* Integrated Transport – July 2000

Clearly reliability is fundamental to customer confidence. If a transport mode cannot be relied on to deliver its passengers to the right place at the time expected, then customers will desert just as they desert any other supplier who fails to deliver to their promised specifications.

The post-Hatfield disruption has been unprecedented, particularly for some of the long distance services. It is inevitable that in these circumstances many passengers will try alternative modes or change their lifestyle patterns to avoid certain journeys altogether.

The research does not exist to estimate the extent of these shifts nor how permanent they are. Broadly speaking, however, one could divide the market up into four segments:

a) Those who don't travel by rail but would if it was better (estimated at approximately 10% of the adult population or 4.5 million before Hatfield)
b) Those who do travel by rail because they have to but would probably avoid it if they can (9% or 4m)
c) Those who travel by rail and do so out of positive choice, but are really looking for higher service levels (30% or 13m)
d) Those who do so out of choice and are generally happy with the service levels. (7% or 3m)

The net effect of the post-Hatfield disruption is that many in category a) must have been put off from ever contemplating travel by rail. Many in category b) must have been encouraged to look even more earnestly for alternatives and many in categories c) and d) must have been discouraged and pushed into categories b) and c) respectively.

Not only will the disruption have reduced the number willing to travel by rail, it is also likely to have set back the growth of passenger numbers. However, on the basis of currently available research, this effect is incalculable.

One of the drivers of growth in rail travel was the fact that an increasing number of people were becoming dissatisfied with congestion on the roads. There was also a strong mood in the country that building more roads was not the answer and widespread support for policies which expanded and encouraged the use of public transport. For example, the research for the Commission *for* Integrated Transport, in April 2000, found 84% of the public agreeing that 'the Government should encourage people to use public transport'. Most of these referred to tackling congestion and environmental issues as the main reasons. If public transport improved there was also a high willingness for individuals to make switches themselves. This was underpinned by strong support for a very wide range of policies ranging from more bus lanes and Park and Rides to severe restrictions of cars in town and city centres and improved conditions for pedestrians.[9]

[9] CfIT 2000 Ibid.

There must, though, be a concern that this very positive climate of support could have been eroded by how the rail industry is perceived to have behaved since Hatfield. Implicit within the Diagnostics research finding that ‘the image of Railtrack is being built outside of the control of Railtrack’ is the idea that it is not really in control of the network. It is likely that many of those who had such great hopes for our future public transport system may now revise their thinking along the lines that ‘while this is what I would *like* to see happen, the evidence is that Railtrack is not really up to the job… so maybe we need to build more roads after all.’

Again, there is insufficient research to demonstrate this, but it is difficult not to reach the conclusion that the current difficulties must have weakened the case of those arguing for an expansion of public transport. This could have long term implications on the political will to carry radical measures forward.

Other Decision Criteria

The other top factors which determine rail use are also ones which the current disruption is inevitably affecting – frequency of service, and cost of tickets. At present frequency of service is closely linked to reliability and will have been greatly damaged on some lines by the service restrictions. 'Cost of ticket' is affected in the sense that customers will be more inclined to regard rail travel as poor value for money, will be less inclined to travel by rail as a result and make it more difficult for rail operators, and the SRA, to justify any fare increases in the future.

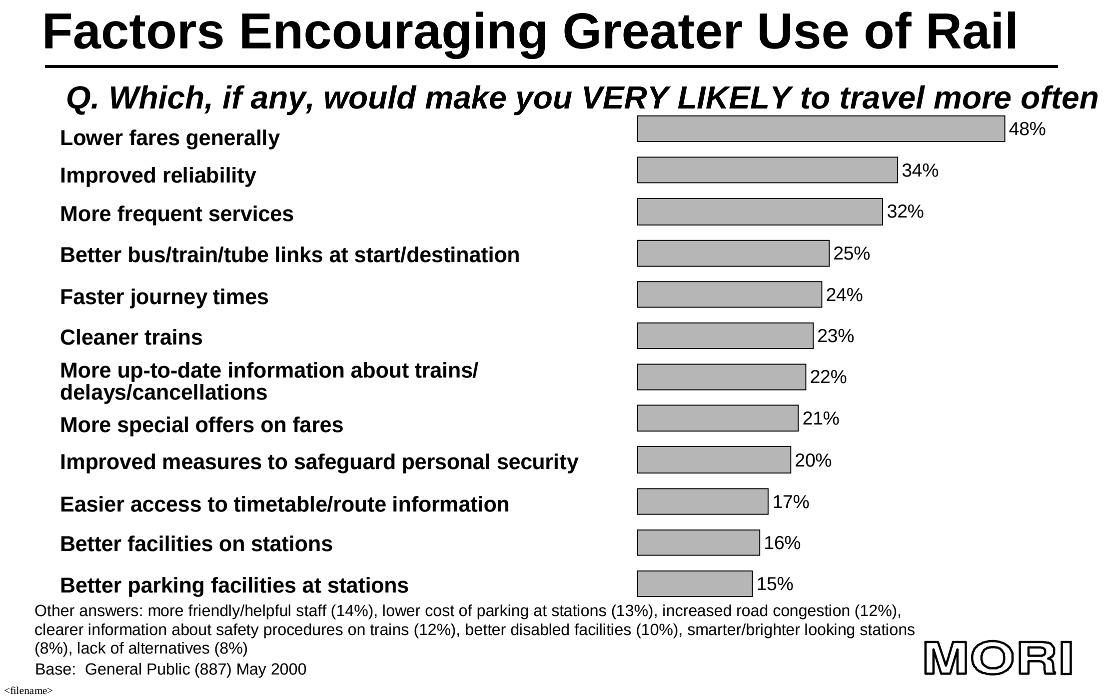
Beyond that research, and other evidence, indicates that, had Hatfield and the post Hatfield disruption not happened, then there was enormous potential for continuing to grow passenger numbers. The evidence includes:

- The fact that rail travel had increased by 30% since privatisation and was continuing to grow
- The fact that so many people have found alternative modes since Hatfield suggests a certain elasticity of demand which can work both ways
- Research by MORI for Railtrack et al in 1998 which showed 31% of the population agreeing that 'I would travel less by car if the train service around here was better'
- Research by MORI for the BBC in 1999 showed 65% of the public agreeing that 'road congestion is a serious problem in my local area'
- Research by MORI for CfIT which found 48% of people saying they would drive less if **both** congestion was reduced **and** public transport improved while only 3% said they would drive more

On many routes capacity was, and is, a major constraint. That aside, the research indicates that there are an enormous number of 'hygiene' factors which can address real needs or allay the anxieties people have about rail travel – better information about services, cleaner trains and stations, particularly toilets, more station car parks which are more secure, more CCTV cameras generally, better lighting, and so on[10].

[10] See Ibid. CfIT.
Ibid. Attitudes to transport system in Britain February 1999
Attitudes to Public Transport MORI survey for BBC Broadcast – February 1999.

This chart shows factors selected as 'very likely' to make the public travel more often by rail[11].



While improvements continue to be made in these areas which could help drive underlying demand, they are far less likely to be effective in the absence of confidence in the core services. These underlying growth drivers are therefore less likely to be effective than they would have been pre Hatfield.

[11] Research for ATOC May 2000, as part of Railtrack's programme of general public tracking research conducted by MORI.

How long will it take to recover?

There are three possible scenarios:

1. It will only partly recover back to the levels of confidence and passenger numbers experienced before Hatfield

2. It will recover but only back to around the pre-Hatfield levels

3. It will recover back to the pre-Hatfield levels and continue to improve after that.

Evidence from Other Sectors

Whichever scenario is realised, the evidence from other sectors suggests it will be a long haul.

Downsizing by BT[12] in the 1980s undermined customer service and by the early 1990s it had suffered a major decline in consumer confidence. It took three years for its reputation to recover.

British Gas suffered a major decline in its ratings in 1994/5 when its chief executive was awarded a 75% pay increase against a backdrop of a massive deterioration of its service standards resulting from its restructuring in preparation for market deregulation. It took three years for its reputation to recover.

After its privatisation, the water industry embarked on a massive investment programme which necessitated major price increases. Its satisfaction ratings declined for four years before levelling off and it was another six years before they were back to pre-privatisation levels.

Satisfaction with Marks & Spencer's service and value for money started to decline steadily from 1995 despite rising profits[13]. When this converted into customer behaviour the results were commercially devastating. Profits are still declining and the company is trying desperately to recover.

Marks & Spencer	Nov1995	Mar 98	Sept 99
	%	%	%
Service positive	71	62	45
Value for money	69	57	43

One of the lessons from BT and British Gas was that recovery did not come without a very substantial effort at rebuilding customer relations. Despite, like the rail industry, having been privatised utilities, both companies had developed a very strong

[12] See appendix for fuller case studies
[13] Quoted in the BBC2 Money programme – October 31, 2000

customer focus before privatisation.[14] BT, for example, introduced the biggest customer service satisfaction monitor in Britain in 1982, two years before privatisation. It also invested heavily in customer management software which ensured that whenever a customer phoned, the person answering the call could get their details onto a screen in front of them and handle most enquires rather than pass them on to another part of the organisation. This meant that, with the opening of the market to competition, BT were able to hold on to a far greater market share than was intended by the advocates of deregulation.

Even as a nationalised industry, British Gas was very customer focussed and took competition from electricity extremely seriously. The crisis occurred because it recognised that its market position was underpinned, not just by having delivered a consistently high level of customer service over many years, but also by the much lower price of gas for heating relative to electricity. It therefore had to restructure to dramatically reduce costs to ensure it remained competitive when the market was deregulated. It was in trying to do this in too short a time scale that the system failed to cope on a massive scale when hit by an unusually prolonged cold spell. However, its traditionally strong culture of customer service and aggressive marketing ensured that it was able to recover its pre-eminent position in the market.

The importance to corporate survival of continually working at satisfying customers and striving to meet their changing expectations is further illustrated by the retail sector[15]. Marks & Spencer lost market share despite having the research which had been showing it for three years that customers were becoming increasingly dissatisfied. The problem was that, according to an interview[16] with Sir Richard Greenbury, the CEO at the time, he was never made aware of this critical feedback.

By contrast, over the same period, Tesco seized leadership of the grocery market from arch rival Sainsbury's. This was at least in part to due to a very customer focused approach. The company undertakes a continuous, national programme of focus groups designed to ensure that it is constantly in tune with the changing needs and preferences of its customers. Critically, these results are fed back to local managers so that they can always be responding to ensure that they are delighting the customer at the level at which it most matters to create value for the business.[17]

A strong customer focus/marketing culture does not, and never has, existed in the rail industry. While some of the long distance rail operators are market driven, most of the industry is not. While companies such as Tesco, British Gas and BT started with the customer and have engineered all their structures, systems and thinking towards how to satisfy the customer more effectively, the rail industry has never seen the need to do so. Marketing is typically something which is added as an afterthought to help communicate timetables and special offers more effectively, not as an integral driver

[14] See, for example, 'The Use of Customer Satisfaction Research & TQM in UK Utilities & Public Services' – paper presented by Peter F Hutton to the 21st MRSA National Asia/Pacific Conference, Sydney, Australia – October 1992
[15] The book 'Built to Last' by J C Collins and J I Porras – Century, London 1996 makes a similar point about companies which have performed outstandingly over more than 50 years despite major setbacks
[16] Ibid. Money Programme – October 2000
[17] According to an interview with Sir Ian MacLaurin on the Money Programme, BBC2 July 1999

of the whole business. Railtrack traditionally has not seen it as its role to market rail travel to consumers (and until now it has not been commercially in its interests to do so).

The lack of customer focus by the industry is clearly evidenced in the extraordinarily poor reputation it had even before Ladbroke Grove and Hatfield. There are virtually no industries with a poorer reputation among the public or with lower levels of satisfaction among its own customers.

Although the new franchises and financial incentives for Railtrack to increase passenger numbers are designed to encourage the industry to think creatively about how it can attract and retain more customers, the fact is that at present the industry is little further forward in this respect than at the time of privatisation. Thus, even if the reliability problem was put right tomorrow, the industry as a whole is not in the same position as British Gas or BT or even Marks & Spencer to respond to the challenge of building customer relations.

Which of the three scenarios listed above are realised will depend on five things in particular:

1. Whether the industry invests enough to address the short and then long term issue of reliability

2. Whether the industry invests enough to increase capacity particularly where severe overcrowding and delays are a major problem

3. Whether the industry invests further to enhance services to make rail travel more attractive

4. The absence of other major crashes

5. The degree to which the industry invests in building confidence through effective involvement of, responsiveness to and communications with, its customers at all levels of the industry.

Items 1-3 are to do with capital projects, but their effectiveness in helping the industry to recover has a lot to do with how improvements are communicated. They should therefore be done in conjunction with 5. Arguably all investment says is ‘we can fix the service’. It does not say ‘we want you as a customer’. Arguably it is the latter which has always been lacking in the rail industry as evidenced by what its customers think and feel about it.

Lessons for Communications

Qualitative research in 1999[18] indicated that the public really do want to have a railway system it can feel proud of. As general principles, the travelling public like to feel they are being consulted about the railway system ('their' railway system) that problems which **they** can see and believe are important are being addressed, that they are being given accurate and helpful information, and that someone, not faceless organisations, is standing up and taking responsibility for putting things right. MORI research among Britain's leading transport journalists last spring indicated that Gerald Corbett was beginning to be seen to play this role with six of the 40 interviewed spontaneously mentioning him among Railtrack's main strengths. The Diagnostics research also noted some positive comments from rail travellers about Gerald Corbett's role. With his passing, in communications terms, the public almost certainly feel there is a vacuum to be filled.

The qualitative research also indicated a need for some kind of apparently independent measures against which the performance of the rail industry can be seen to be assessed. Respondents then were largely sceptical that anything would, or could, get better. Experiences post-Hatfield will have significantly reinforced these views and probably converted many more to this view who were formerly more optimistic about the prospects.

In the current context 'independent measures' probably mean something along the lines of miles of track checked and repaired. This could help turn a negative into a positive by suggesting that now Railtrack have (finally) been open about the problem, and are now clearly putting things right. This would meet the need, expressed in the Diagnostics research that consumers 'really do want to believe trains are fundamentally safe' and the ATOC research which showed that rail travellers' biggest concern is 'that the job is done right for the long term'. It would also be consistent with the view of the 59% of the general public who agree with the view that 'It is acceptable to have short term disruption on the railways if it means a better service and facilities in the future'. Only 13% disagreed[19].

Longer term they need to be convinced that the other issues are being addressed and that progress really is being made towards achieving the kind of rail network they really want, particularly at a local level.

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[18] 'Winning Hearts and Minds' Qualitative research undertaken by MORI for the Railway Forum February 1999

[19] MORI general public tracking research for Railtrack, May 2000, based on 887 respondents.

Conclusion

Drawing the strands of this paper together, there are many factors which will make it very difficult for the rail industry to recover from the post Hatfield crisis, pushing it more towards scenario 1: never recover back to pre Hatfield levels. There are, though, other factors which can help to push it towards scenario 3: meet and surpassing pre-Hatfield levels.

The factors pushing the industry more towards Scenario 1 are as follows:

- Many customers will have searched out alternative modes and got used to using them

- People will have made other arrangements e.g. chosen to move home, changed jobs, to avoid using rail

- The public's confidence in the safety of rail will have been dented both by the major incidents and by all the publicity about the incidence of SPADs and broken rails

- The idealism with which people have viewed the future of public transport as a solution to the problems of road congestion will have been undermined – they now are even less confident and even more cynical about the industry's ability to run an efficient, safe and attractive rail network than they were before Hatfield

- The industry spends very little at either a national or local level in building positive relationships with its customers, so customer bonding and loyalty is not strong

- Communications from, and about, the industry do not work in an integrated, nor necessarily supportive way so that the public receives conflicting messages from different parts of the industry, politicians and the SRA. This undermines confidence that anyone is really on top of the problem

- There is a General Election next year which will fuel criticism of the industry and blame for its failures

- Budgets in the industry are being/will be cut to protect profits and the limited budgets set aside for marketing/communications/consultation/research which are designed to help build customer relationships are likely to be reduced rather than increased

- Perceptions of value for money will inevitably fall for those whose services have been delayed, cancelled or which are overcrowded as a result of delays or cancellations. This will make it difficult to raise fares in the future without provoking more than usual uproar and discouraging further rail use and will put extra pressure on margins

- Those bidding for franchises will perceive that the risks are greater now and be less inclined to commit to major investments to improve services

- The bus companies are/will be investing more to expand their services

Against this the following factors would push the industry more towards scenario 3.

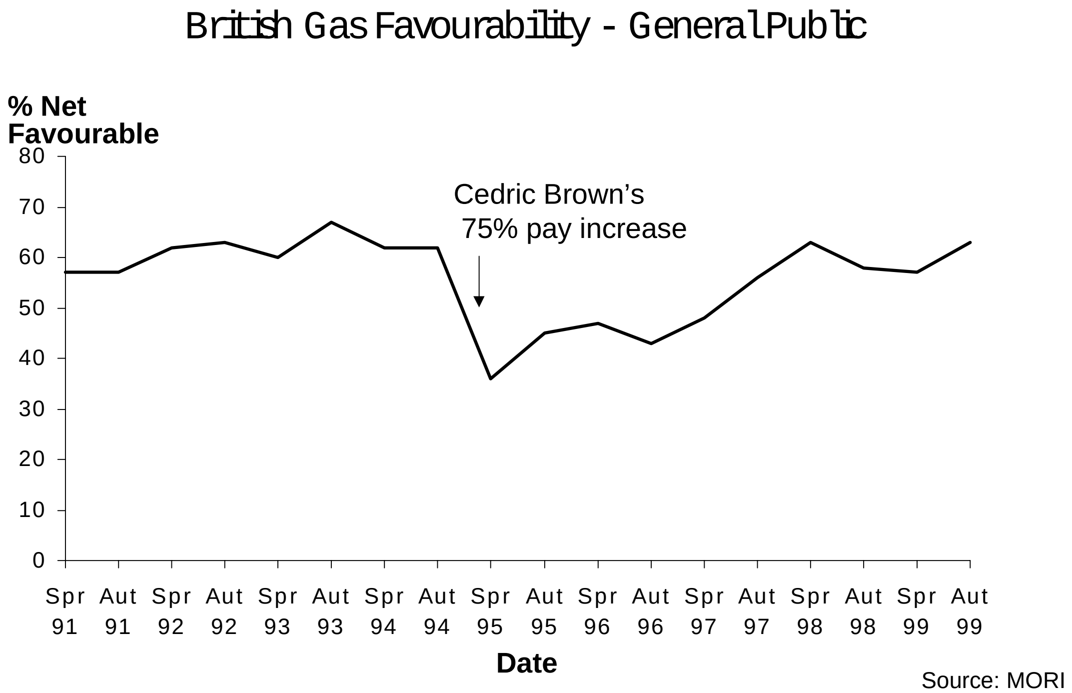
- Long term the trend has been towards people travelling more and more
- Basically people in this country want the rail system to succeed and to be at least as good as anywhere else in the world
- Alternatives, particularly the car, still have the same significant limitations as they had before the speed restrictions – congestion, parking problems, unable to use travel time for anything else etc
- Local transport schemes will encourage less use of the car and greater use of public transport
- The public are prepared to take a long term view so long as they believe the right steps are being taken to ensure a better service in the long term
- Despite Hatfield, Ladbroke Grove, Clapham etc, safety, in the sense of fear of crashes, is not a concern likely to stop significant numbers of people using trains
- There are many things the industry could do to attract more passengers once the reliability issue has been addressed
- If certain major rail log jams – notably in London – are addressed, this will automatically increase capacity and effective demand
- The new financial and franchise frameworks provide an opportunity for Railtrack and the TOCs to develop strategies for building long term relationships with customers in a way never before experienced by the sector
- Exceptionally low levels of satisfaction arguably provide great opportunities for improvement.

If we were to speculate on what will happen we would suggest that, if reliability is re-instated and assuming no other major disasters over the next few years, it could take 4-5 years to move image measures, and probably passenger numbers, back to the levels experienced pre-Hatfield. This could be escalated on certain routes with effective marketing campaigns. After that, without a major cultural change, progress will be very slow, image ratings will remain substantially negative for the foreseeable future and this will act as a drag on growth in passenger numbers.

APPENDICES – Case Studies

British Gas

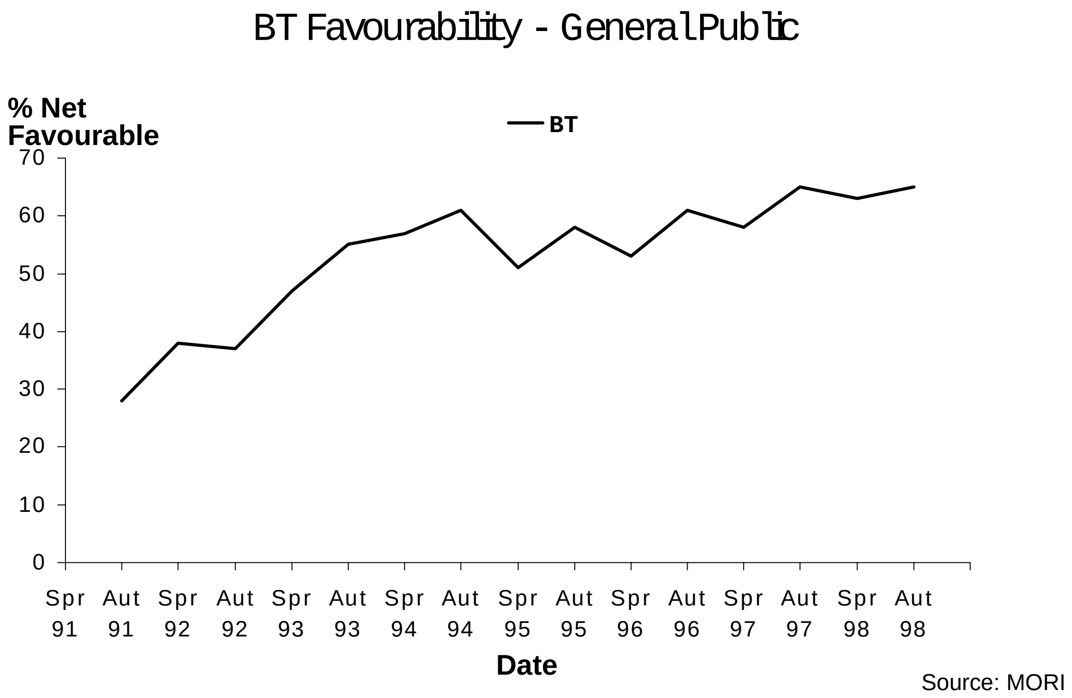
Throughout the 1980's and early 1990's British Gas was one of the most highly respected companies in Britain. Some years after its 1986 privatisation, the Government announced it was to open the domestic gas market to competition, contrary to the original terms of the privatisation. This precipitated one of the biggest corporate restructuring programmes ever seen in Britain to an unrealistically tight timetable. In November 1994 British Gas awarded its chief executive, Cedric Brown, a 75% pay increase. This also coincided with a particularly severe cold spell with unprecedented demands on the boiler maintenance services of British Gas which the company was unable to respond to and followed a period of showroom closures and pay freezes. The CEO pay increase was the catalyst needed for a previously well respected business to receive the full venom of the media and politicians. It resulted in the setting up of a Parliamentary committee to examine the whole issue of remuneration in privatised companies which ultimately resulted in the Labour new labour Government's 'windfall tax'. The media coverage lasted into the Spring of 1995 and had a major impact on the reputation of British Gas with the public and opinion leaders.



The strong customer service and marketing led culture of British Gas was largely responsible for re-establishing the company's pre-eminent position in the market before de-regulation was able to let new competition take advantage of the company's severely damaged credibility in the market.

BT

At the time of its privatisation in 1984, BT was one of the most highly regarded businesses in Britain. In the late 1980's it engaged in a massive programme of downsizing to the point that by the early 1990s it had insufficient engineers to maintain service standards. This was most apparent in the number of public call boxes which were operational at any one time which sunk to the low 70 percents, and in London was reputed to have been in the low 20 percents. A massive investment and maintenance campaign moved the figure up to over 95% which it has maintained. However, it needed a major advertising campaign to move satisfaction ratings with this aspect of its service up and it still took three years for its reputation to recover.



The Water Industry

The water industry spent billions of pounds during the 1990's on improving drinking water quality and sewage treatment and disposed. But it took several years before the impact was reflected inconsistently higher public perceptions. This was accomplished by a considerable local and national communications programme aimed at ensuring that the public linked higher prices with better quality drinking water and an improved environment.