Having it both ways – getting more for less from the railways

Joint Amey and ICE Prestige Lecture
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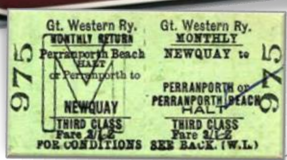
Good evening Mr President, ladies and gentlemen. It is a real privilege for me to be here this evening and I would like to thank Amey most warmly for inviting me to give their second prestige lecture arranged in association with the Institution of Civil Engineers.

My track record in the rail industry is some 12 years long, so in railway terms I am by no means a veteran. But I do have railway links going back to the very start of my life.

I was born in a small town which boasted two railway stations and our house was equidistant and not very far from each of them. It was on one of the lines that suffered the fate meted out by Dr Beeching in 1962.



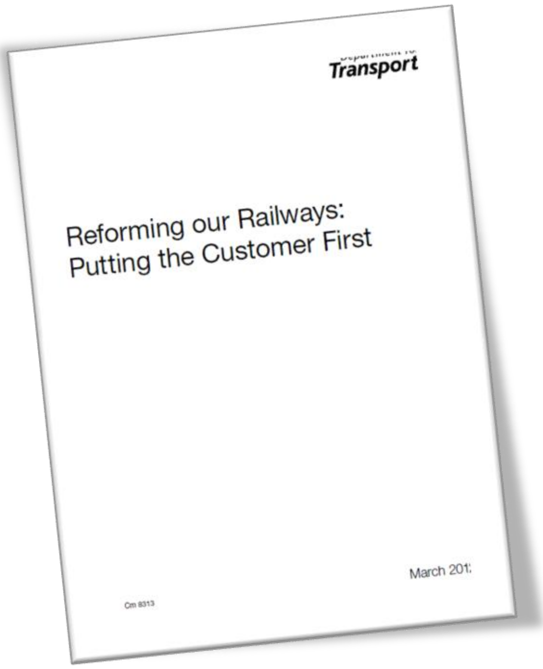
It was the Chacewater to Newquay line in Cornwall – we lived in Perranporth between the Beach Halt and the main station - and quite a few of my very earliest memories are intimately associated with that modest branch railway.

Everyone locally was sad when the line closed yet at the same time there was genuine realism that it was an uneconomic activity and few people argued against the prevailing belief that the future of transport did not lie on railways but on roads.

I was too young to have a view but if I had, I suspect I would have followed that broad consensus. Of course it has not been proven quite right and I wish that some of the local users of our branchline could hear what I'm going to say about the railway system tonight.

What might surprise them most is the message I'm going to stress throughout this lecture – that the railways are a business, a good one at that, and the best way to get more for less from them in future is to go still further in treating them as a business.

Last month the government published a command paper entitled "reforming the railways: putting the customer first".



In giving this lecture the title I have - "having it both ways: getting more for less from the railways" - I've tried to paraphrase what I think the government are really saying in their command paper.

You could hear my title in one of two ways, I suppose. In one way, as a confident statement that we can both get more and spend less on the railways; or, you could hear it as a rather cynical suggestion that someone is looking to have their cake and eat it.

Of course with any government pronouncement it is all too easy to see it as political posturing intended to portray fine intentions but not backed up by any concrete means to make the intentions a reality.

So am I before you confidently or cynically?

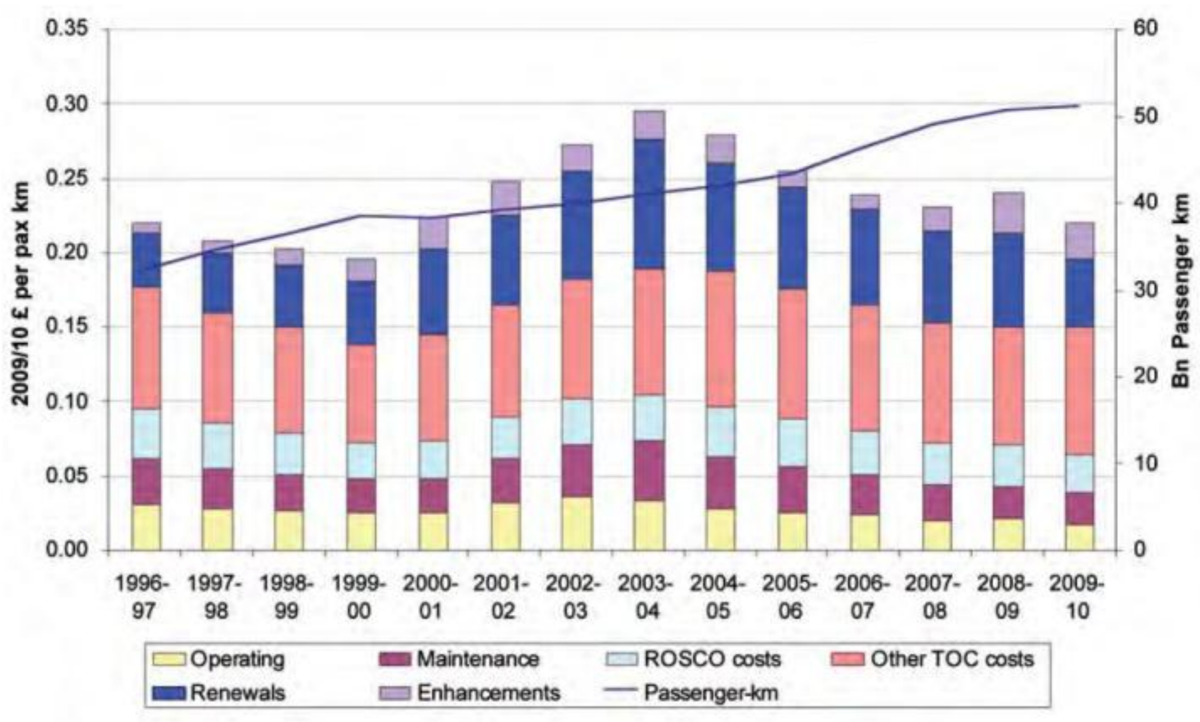
The answer is with qualified confidence. What I want to say in my title is that yes, it is an entirely legitimate aspiration to want more and to pay less. The possibility of having it both ways is my storyline for tonight. But it is not straightforward or easy and there is such a lot to do before we can get to that position. This lecture is my personal reflection on the most important things that must happen if we are to succeed.

The command paper is of course the formal response to Sir Roy McNulty's study into value for money in the rail industry, published almost a year ago. It was a very important piece of work that is making us confront things about ourselves that we perhaps rather would not.

For that we owe Roy a debt of thanks and he has pointed the whole industry towards a series of possible efficiencies that it is absolutely right for us to pursue vigorously.

But I don't think I'm alone in also believing that, in his analysis of where we are, Roy was unduly harsh on today's rail industry. Let me give you two examples.

First is this graph, which must be one of the most widely publicised bits of Roy's report and which holds what he says is the key to the industry's problem. Namely that unit costs are no lower than they were in 1996.



This is strictly speaking correct, but he has focused only on a beginning and an end point and of course - I hardly need to tell an audience of engineers this – a graph reveals a story over time, not just at selected points in time.

This is a story of falling unit costs in two phases, punctuated by a short sharp burst of rising unit costs - and we all know that that burst followed the nervous collapse of the industry and the creation of Network Rail to replace Railtrack.

Those events led to an injection of significant amounts of capital into the industry to rectify many years of shortfalls in basic maintenance and renewal, not just in the Railtrack era but going back also to the nationalised British Rail period. That injection led to a sharply rising cost base.

But things stabilised and the downward trajectory was resumed. It is continuing and unit costs are now lower than in the last bar on the graph – meaning the government's net contribution to the railways has fallen significantly in the last year.

And it confirms that we as an industry are already on a clear trajectory of declining unit costs. So our challenge is not initiating the desired trend, but to sustain it with the objective of continued year-on-year reductions in unit costs to the end of this decade and indeed beyond.

My second example is that I have a problem with the European comparisons that Roy has used in his report. They are lacking in really credible and comparable data. I have challenged Roy on this and he says, quite reasonably, that it is simply the best they were able to muster in the limited time available and that does not invalidate them as a reference point.

That is okay but the adequacy, or rather inadequacy, of the data is not sufficiently underlined in his report with the result that we now have a situation where it has become common currency that we are 30 to 40% less efficient than the Europeans.

Similarly it has become common currency, on Roy's analysis, that we pay 30% more for tickets than Europeans. The Prime Minister trotted out these statements when he made a speech in this very building about four weeks ago.

The efficiency point is debatable, but the fares point is just wrong. Where meaningful comparisons are possible, I certainly accept that some fares in this country are higher than in other countries. But there are many fares available – and widely taken up – that are much lower than it is possible to pay for comparable journeys on the continent.

An independent writer and commentator on the railways recently told a national newspaper that there had never been a cheaper time to travel between London and Edinburgh in the past 100 years.

I could go on taking issue with the McNulty report, but that would be unconstructive and overly defensive.

The fact is that overall, Roy is right – we do need to improve our efficiency, we do need to cut costs and in a number of areas we do need to work together more effectively. And we do need to develop more of a mindset of continuous improvement and less of a short term readiness to rely on public money.

We should be just as committed to those things as any good private-sector business - because that's what the railway is above all, a business. We provide a service that people want, need and choose to use.

And in the financial year just ended the business generated passenger revenues of well over £7 billion. This is a huge figure, which illustrates the immense size of our industry.

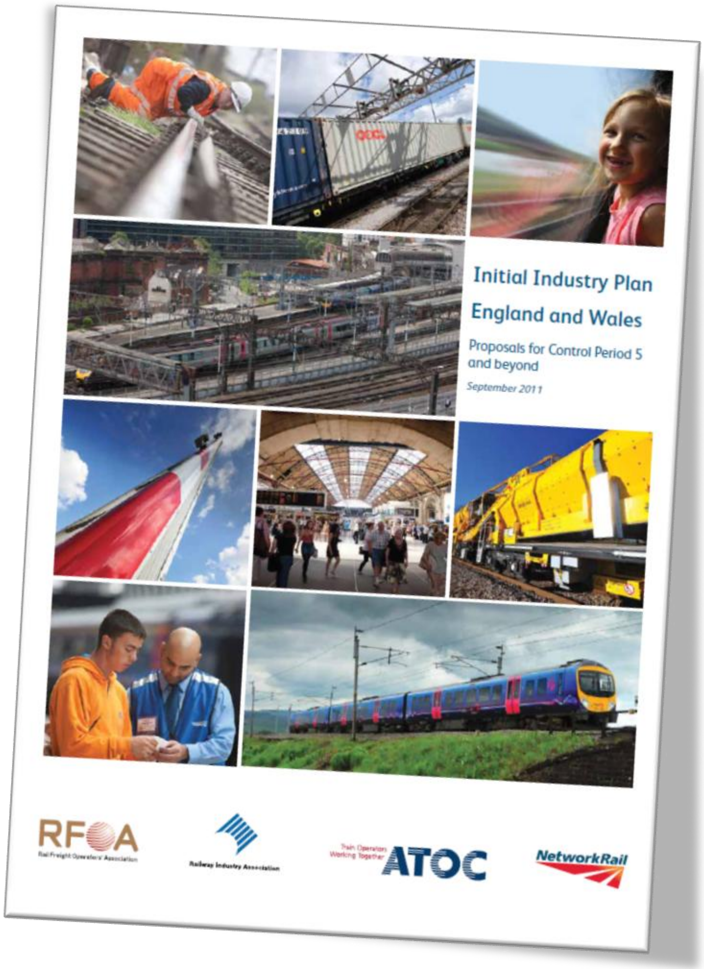
And incidentally if you divide that number by the total number of recorded journeys, which last year was 1.4 billion, you see straightaway that the average price of a journey on our railway is around 5 pounds – I say that's pretty good value by any standards, even if you state it in Euros.

Sorry, I'm straying back into taking issue with the McNulty report. But the point I've just made does highlight something very important - that revenue growth is as much a way to improving efficiency as cost-saving. I was deeply disappointed the command paper limited itself to two brief and rather dismissive paragraphs about the potential for and ability of the rail industry to grow its passenger revenue. Roy's report was also disappointingly muted on this subject.

But we in the train operating community accept both challenges – to reduce costs and grow revenue and they are equally important.

And we as an industry are confident about our ability to do both. We have already set out that confidence in our own forward-looking document. It was published last September, well before the command paper, and was drawn up over roughly the same period of time that Roy McNulty was working on his report.

I'm talking about a document called the Initial Industry Plan – often shortened to IIP. It sets out a collective industry view of what the railway can and should achieve over the five year period from 2014 to 2019. It was jointly prepared by Network Rail, ATOC, the Rail Freight Operators Association and the Railway Industries Association (representing the suppliers, including of course our hosts tonight Amey).

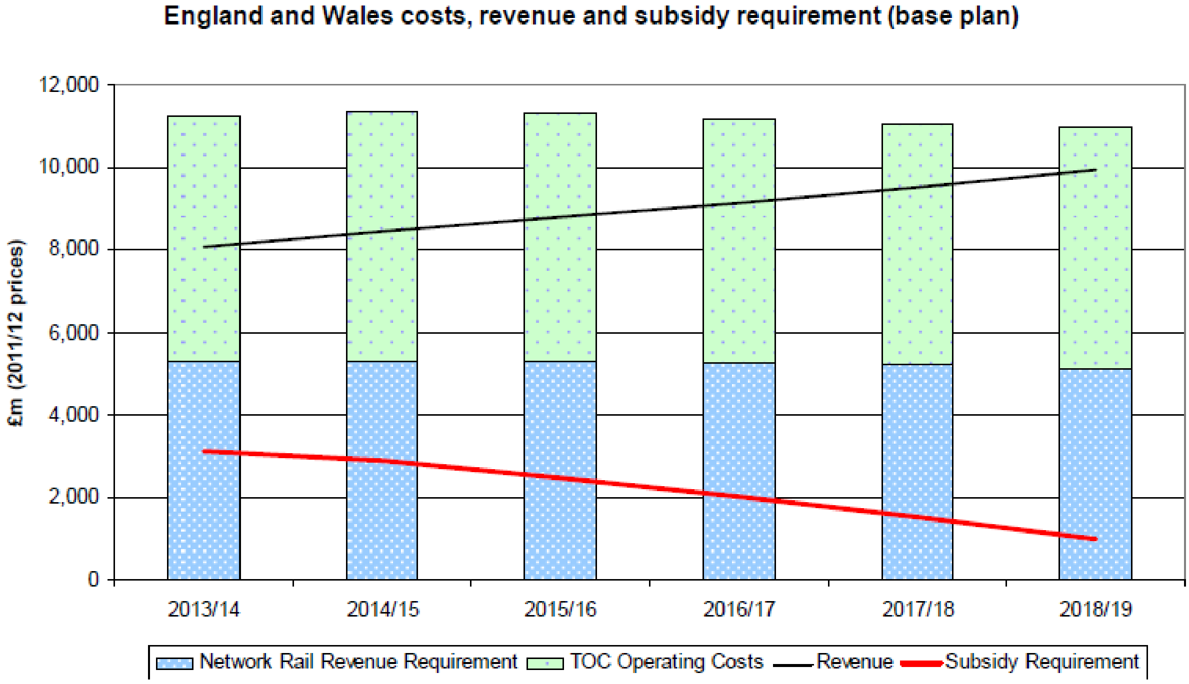


It was the first time the different parts of the privatised railway had collaborated in this forward looking, whole industry manner.

It sets out ways in which the railways will get better over that period – new and refurbished trains, better stations, more services and faster journeys enabled by infrastructure improvements – such as remodelling Reading station, the Northern Hub project centred on Manchester and a major programme of electrification.

It also sets out how the net cost to the taxpayer will decline over the five year period.

The key outcome is captured in this graph. The bars represent total industry costs at 2011/12 prices. The top, black, line is passenger revenue and the bottom, red, line is net government support which reduces significantly year on year - to potentially 1 billion a year by the end of the period.

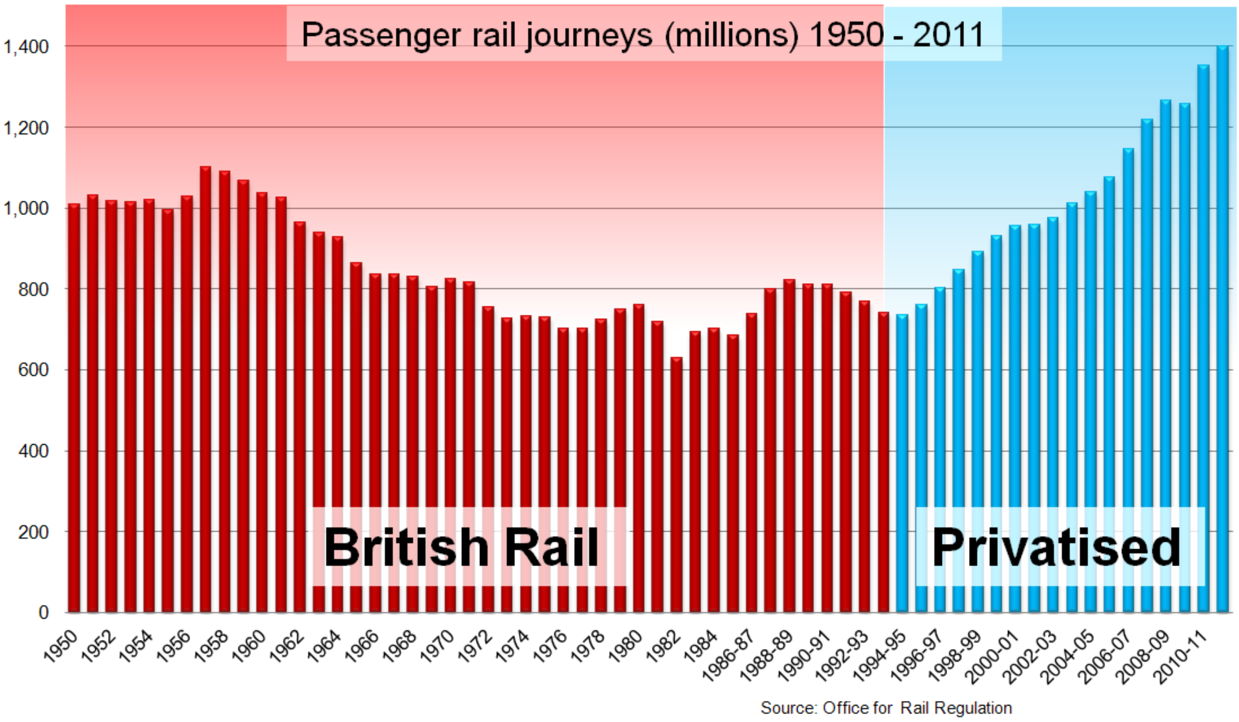


I believe that <u>is</u> having it both ways - the railways will be doing more and the government will be asked to put in less, producing a network by the end of this decade which will be a huge contributor to the wider wellbeing of the country.

You'll notice that a significant contribution to that outcome is expected to be made from strong revenue growth, with a forecast of the industry taking 10 billion a year in passenger revenue by the end of the period.

That looks quite a demanding growth profile but here's why we as an industry are confident it can be achieved.

This graph shows passenger journeys since 1950.



The inescapable conclusion is that the privatised industry has successfully grown the business in a way that British Rail never achieved. Or perhaps it would be fairer to say, in the way British Rail, in the manner of all state run industries, was never given the opportunity to achieve.
It is also evidence of our ability to sustain growth even in times of recession or economic downturn.

I say that this is compelling evidence that the private sector has been good for the railway industry and good for the passenger, more and more of whom are flocking to use our services. The private sector naturally has a focus on growth through meeting customer needs that the public sector does not.

That's why an even stronger private sector presence taking the industry increasingly in a customer-focused, business led direction will be essential if we are to get more for less from the railway. And that's why I'm confident we can grow our revenue in the way the IIP forecasts.

So if you look at the three documents I've talked about - the command paper, Roy McNulty's report and the IIP, we can say that there is a good degree of convergence.

All see the need for and the potential of the railway to provide more and require less from the state.

But all, of course, are forward-looking projections and as with any projection the bigger challenge than coming up with the projection is how to get there. What I want to share with you now are some personal thoughts on what we need to do and how we can do it, following broadly these subject areas, by which our success or failure will be judged.

- **Franchising and industry collaboration**
- **The role of government and regulation**
- **Levels of service and connectivity**
- **Quality and the passenger experience**
- **Information, fares and ticketing**
- **Technology, innovation and engineering**
- **Costs to taxpayer and farepayer**
- **Benefits to the country as a whole**

I do not pretend that this is an exhaustive list, but it covers what I think is particularly important.

Let me speak first about **franchising and industry collaboration**.

A franchise agreement is a huge document – several hundred pages. 90% of it is obligations on the train operator and correspondingly 10% or less places obligations on the Secretary of State.

It is a very one-sided contract that gives enormous power and control to the government and makes the Train Operating Company (the TOC) beholden to a whole range of small, large and often very, very small commitments in the grand scale of things – for example in some agreements, the precise hours during which catering trolleys are to be made available on trains.

In the event of non-performance against any of these commitments, there is a range of measures and sanctions facing the TOC, some of a commercially serious nature, but no sanctions on the government side if it does not perform, save for a vague assurance that the Secretary of State can always be relied on to act “reasonably”, though the judge of reasonableness is none other than the Secretary of State.

It is not a mature and equitable contract. We need a new spirit in the relationship between the government and the companies enfranchised to run train services and a new form of contract.

ATOC has consistently set out over the last two years what it believes is needed: less prescription of detail by government; 15-20 year franchises to enable TOCs to plan, invest and manage over a longer timeframe; more intelligent procurement by government, not simply opting for the highest price; setting a more equitable allocation of risk between the parties; and empowering TOCs to take more responsibility for stations, maintenance depots and rolling stock.

The projection in the Initial Industry Plan I showed you just now assumes that reform along these lines is introduced – from this year on.

Without reform, we will continue with inflexible, overly prescribed franchises that do not unlock the full potential of the industry to achieve growth and efficiency.

Over the two year period since the coalition government came to power we have heard a lot about their commitment to reforming franchises along these lines - to be longer, less prescriptive, more output based and giving incentives to TOCs to be innovative to grow their businesses in ways that meet the needs of their customers.

Sadly that commitment has barely begun to be turned into reality and we need to see tangible evidence that it will be. Tonight, I call on the government to live up to its promises and make franchise reform a reality.

The moment is now - there is an unprecedented series of franchises to be let and the time is opportune to introduce meaningful change to the terms of this contract.

The government recently announced the shortlisted bidders for the next three franchises to be let. All of them are experienced transport companies, who have shown long term commitment to the industry. The government must now shift the emphasis in their procurement from telling those companies what they must do in every last detail, to drawing out what they will do over and above a minimum set of required outputs.

What about industry collaboration? Working together in an aligned way, with shared objectives to bring down costs. Isn't that just for us on the industry side to do?

Well yes mostly so, but in railways you can never escape government and they must also support and enable that industry collaboration. On the industry side, we've already begun - across the country Network Rail's new, devolved and autonomous business units are working with their train operating counterparts addressing local problems and needs by joint initiatives and entering into alliances for the purpose of delivering better, more efficient outcomes.

Over time, this will yield real benefits and become more and more ingrained in our way of doing things – and the efficiencies will flow through to the benefit of both taxpayers and passengers.

I would like to recognise and applaud the direction taken by Network Rail in creating a devolved structure that will facilitate this.

I want to sound one note of warning. Collaboration, whether through alliances or joint ventures or other forms of cooperation, is no more than a way of sharing risk and reward. It's great when it exposes the parties to reasonable risks and worthwhile rewards but it gets out of balance and can be very messy indeed if the risks (or rewards) shared become very large.

The rail industry is littered down the years with examples of failure as a result of arrangements in which someone takes on too much risk and only realises it when things go wrong. Industry collaboration is vital but everyone involved should remember to be realistic with risk and not gung ho.

Another major step the industry has already taken towards better collaboration is the creation of the Rail Delivery Group – the RDG. This was something strongly recommended by Roy McNulty, though it's fair to say he drew on advice and input from the industry in coming to that view.

The RDG brings together the most senior individuals in the industry to provide leadership and a joint approach in tackling cross-industry issues. It has made a good start and as it develops further and establishes itself I hope it will give the government growing confidence that the industry can step up and take the lead.

Notwithstanding these current initiatives, I want to stress that collaboration is not an alien concept that we struggle with. I have found it to exist throughout my time in the industry. For example, for the last five years I have been co-chairman of something called the National Stations Improvement Programme.

This is a £150m fund to bring improvements in the passenger experience at some of our poorer stations. Its success has not only been in doing just that, but also in empowering much better local collaboration between Network Rail and TOCs in all matters to do with stations, to address local needs. Both sides have found it liberating and productive to work together in this fashion.

Let me next turn to the **role of government and regulation**.

It follows pretty obviously from what I've just been saying that I want to see government step back from the detail and I want to see regulation exercised with a light touch and in a proportionate manner.

I want to see the state side of the industry supporting and enabling a private sector, market led industry to flourish and grow while protecting what it regards as legitimate social or political requirements for the railway to fulfil.

I also want to make it absolutely clear that I am not arguing for train operators to be free of government involvement and regulation. The companies I represent accept that while the industry continues to benefit from significant state support, it is right that our activities should be held accountable to government and parliament.

Only at some relatively distant juncture when the entire railway system runs on a self-sustaining financial basis without state support can the government step back – and indeed when we get to that point it should do so, while legitimately preserving the right to require specific, otherwise unprofitable, services from the railway that meet national or local political or social requirements.

So while we accept unreservedly the principle of regulation of franchised TOCs, we believe very strongly that regulation of the two major parts of the industry – Network Rail as infrastructure operator and TOCs as passenger carriers – should be separate.
Network Rail as a monopoly provider needs a regulator to provide a proxy for the absence of market conditions. Market conditions have always existed among franchised TOCs, notably at the competitive bidding stage – where I can attest, with a twinge from one or two old battle wounds, just how robust and vigorous the competition is.

Once franchises are let there are also genuine competitive forces at work on TOCs throughout the life of the franchise. Because of this, a franchise needs a different type of regulation, regulation that is commercial-contractual in nature and not the regulation applied to Network Rail and utilities, which is deterministic in nature and driven by economic analyses and models.

What should be common to both forms of regulation is a light touch, proportionate approach. It is too easy for regulators of all kinds to get immersed in detail and fail to see the wood for the trees.

In the two sections of this lecture that I've just spoken about, I’ve covered the enabling framework that we need to construct to allow us to get more from and pay less for our railways.

If we get that right, what type of train service and what type of experience will we be able to offer in 10 years time?

What does it mean, first of all for the **services and connectivity** that the railway will offer? Railways are very unlike the car, the personalised transport which has become increasingly predominant in the last century. Railways are collective and mass forms of transport and so only ever offer a partial element of an individual's complete journey.

Because of that, I doubt that we are going to see a more geographically extensive or far-reaching network of railways in the future. The network map will stay essentially as it is today and those who use the trains will go on relying on other, often personalised means of transport at either end of their rail journey.

We will see capacity improvements to the current network, of which HS2 is the standout example, together with Crossrail and the Thameslink project. But essentially my vision of services in 10 years is of today's network more intensively worked with a wide range of rolling stock appropriate to local market and line conditions.

So in terms of numbers of services, we will achieve more railway in the coming years. Our Initial Industry Plan assumes, for example, a 40% increase in peak time capacity into London by 2019 compared to 10 years previously; and significant increases into other major cities. But to do that in a way that costs less means we will need to take sensible economic decisions about where to invest to meet growing demand and stimulate further patronage.

There are trade-offs here and we cannot assume that every part of the railway should or will experience comparable levels of investment. In short, as part of our strategy to get more for less, we should focus our investment where it will generate the best level of return in terms of the farebox. That judgement is best made by industry and not government or the regulator, because it is a business judgement.

Connectivity and integration with other modes at the beginning and ends of journeys is something we are steadily getting better at.

Initiatives like PlusBus, where for a flat addition of a couple of pounds to the ticket price, a passenger can buy unlimited access to the buses in the destination town, are excellent and growing in take up. We are similarly getting more and more attuned to helping cyclists access stations and feel confident about leaving their bikes safe and secure while they take the train.

But there is still much to do among the transport community of central government, local authorities and transport operators. I know train operators, who put a great deal of effort into understanding detailed needs of their many stakeholders, will strive to go on improving in the area of connectivity and integration. And from the government's perspective, the upcoming series of franchise competitions is an excellent chance to draw innovation in this area from the market.

Quality and the passenger experience. The independent National Passenger Survey tells us that currently 84% of passengers are satisfied or very satisfied with their overall journey experience and just 6% actively dissatisfied. These are good figures in which the industry justifiably takes pride.

Of course, a consumer goods business might well not regard 'satisfied' as particularly noteworthy and would aspire to delight its customers. But, in all honesty, how many passengers would say they were delighted?

I certainly know of one. When I was four, I was allowed one day to join my brother and sister on the school train to Newquay. Consigned to their care by my slightly doubtful mother, I was to get out after one stop at Goonhavern Halt, where my nursery school teacher would meet me and escort me in person to her educational establishment, which was right by the station.

What a morning! What excitement! I can tell you I was that very rare thing – a commuter utterly delighted by the train journey to work.

But do remember travel by rail is a derived demand. Apart from me in 1961, very few people do it other than as part of a wider purpose or activity. Choosing to go on a train is not quite like choosing an item of clothing or electronic equipment. Our aspirations should be high, but make due allowance for the nature of the service we provide.

There are many ways in which train companies need to go on improving the customer experience. But if I had to pick out one overriding priority, it would be to develop a top to bottom service culture. Despite our committed workforce – about which I'll say more later - the rail industry still has some way to go to achieve consistently good standards of customer service.

We need to bring about a major cultural shift to imbue everyone with the sense that they are in the business of customer service and not in a business that is about units of industrial production.

Much of the industry is working in that direction, but we need a more sustained and consistent effort and I have to own up that I think this is entirely one for us, the train companies, to take the lead on. We should do it because we believe in it, not because government, the regulator or Passenger Focus call on us to do it.

Information, fares and ticketing are interconnected aspects of our industry that receive a great deal of attention and no little criticism. The criticism may not always be justified but we do accept that here too we need to make significant improvements.

In terms of information, ATOC is leading an initiative to make the first industry wide, major upgrade of information architecture since the days of British Rail. It will integrate systems of operational and passenger information to ensure that accurate, reliable and consistent data about live and planned train services is available across a range of channels to customers.

In respect of ticketing and retailing, ATOC is similarly leading a programme of improvements and initiatives that will, over the next couple of years, give passengers much greater confidence that they are getting the best ticket deal for their particular needs and that they have been given a clear understanding of what if any restrictions apply to their tickets.

In a network as extensive as ours, with 2,500 stations, there will always be complexity because of the dizzying permutations of possible rail journeys. Our challenge is to get better at helping passengers navigate their way through complexity. We have the two year programme I've just referred to, but I want us to go on addressing the complexity challenge energetically to improve the customer experience continuously.

Complexity in fares is frequently thrown at us as a criticism. The other side of this coin is choice. One of the biggest success stories of today's railway is the range of discounted fares we offer, for example to holders of Railcards of one type or another or for those choosing an Advance fare, because they are able to commit in advance to travel on specific trains.

Advance fares offer fantastic value for money and are by some distance the fastest growing type of ticket that we sell today. They have contributed to the tremendous growth we've seen in demand for train travel.

In my view, our success in attracting such growing numbers is a powerful counterpoint to those who claim fares are too high or too complicated.

Fares are heavily influenced by the government. Ironically, dissatisfaction with fare levels is highest where direct regulation applies – notably among commuters who have been subject to an *RPI+x* formula prescribed by government for many years.

The DfT is currently holding a consultation on fares and ticketing, which we will engage fully with. It is an ideal opportunity to reassess the role of regulation in setting train fares and address perceptions about what constitutes a fair fare.

The last two sections I've covered have been about where I want TOCs to make a sustained effort at innovation and improvement. They are deliberately focused on becoming a better business in the eyes of customers, because I believe that is a better and surer route to long term efficiency than reliance on cost-cutting measures.

What do the other main industry players need to do in the same fashion? I'm choosing to touch on **technology, innovation and engineering**, because the rail industry is rooted in those skills and disciplines and they will hold the key to many developments by which we can become more efficient and achieve our objective of providing more railway for less.

48% of the money earned by TOCs is spent on Network Rail's operations, maintenance and renewals business, around £3 billion. So there is a huge efficiency prize if Network Rail and its vast array of suppliers can develop improved methods in that business.

Let me offer some examples, while duly acknowledging my layman status in this field.

- Productivity increases are needed in linear maintenance and renewal operations, using better plant and techniques for the purpose;
- design and construction for structures and trackwork needs to be leaner and easier to maintain;
- we need to be serious, committed and realistic about designing and installing signalling systems that improve capacity and safety;
- we need to go much further in installing condition monitoring systems that will tell us remotely what state an asset is in;
- and we need to get better at managing precious possessions so that every minute is used to good effect.

Rolling stock manufacturers need to engage more effectively with their clients to engineer whole life costs down – lighter bodyweights, better energy efficiency, improved interface between sub-systems, remote condition monitoring capability, enhanced maintainability, so that time in depots – analogously with possession time on the track – is used to optimum effect.

I readily acknowledge that much good work is being done in all these areas and more besides. But just as TOCs need to raise their game in future in ways I've described, so must the infrastructure side of the industry.

The key in all these examples is: first, industry parties up and down the supply chain working collaboratively, with a common understanding of end use objectives, to manage cost down; and second, industry taking the lead.

Government and regulators need to step back and resist the temptation to impose or dictate engineering or technological requirements. There is ample creativity and dynamism within the industry to achieve what is needed by our own efforts.

I am confident that, as a result of succeeding in all the areas I've spoken about this evening, we will bring the need for **taxpayer support** in the rail industry down significantly by 2019. The graph I showed earlier from the IIP is a clear aspiration and an achievable target.

It will be for the government of the day to judge whether £1 billion of support is a good deal for the taxpayer, but I would be very disappointed if they did not. Because, as I've sought to stress in this lecture, we will be delivering a good deal more railway for that much reduced price.

What **fare payers** will be experiencing by 2019 is very much in the hands of government. Government has said it wishes to bring the era of above inflation regulated fare increases to an end. We agree with that, because we believe there is a real risk that fares can be used to artificially choke off demand, when we as an industry are capable both of delivering and managing growth which will improve the industry's economics further.

I actually think that in the round fare payers are offered a pretty good deal today – and will continue to be in 2019.

I think **the country as a whole** will be benefitting by that date from a superb national asset that supports the national economy, enriches local economies and enables all manner of personal lifestyles and mobility.

I think it will still be a British characteristic to have a love-hate relationship with the railways. It was love-hate 50 years ago on the Chacewater to Newquay branch. We loved making local journeys and we loved the cheery staff. We hated it when our parents decided we'd make our annual visit to my father's family in Scotland and go all the way on the train – especially when we stopped inexplicably at Crewe at 3 a.m. and the heating system shut off!

But in future perhaps the extremes of our national emotion around the railway will have been moderated into a gentler acceptance of the value of the system, coupled with a legitimate challenge to us to go on improving.

Before I conclude there is one other aspect of the rail industry that I touched on very briefly and want to come back to.

I'm talking about the almost 200,000 people who work in the rail industry. In 12 years I have found that railway people, from the top to the most humble role and with very, very few exceptions, are committed to and passionate about their industry.

They genuinely want to be part of something good and they want the railway to be run well and for passengers to have a good experience. Perhaps because we don't always get it right, they also have a very real determination to make it an improving industry.

We don't necessarily give them the right cultural steer in dealing with customers. I spoke about that earlier. But if, or rather when, we do, our people will be a key element in enabling us to make great forward strides.

One other people challenge that we cannot duck is improving the linkage between efficiency and our salary and wage costs. Roy McNulty showed pretty conclusively that we have drifted into paying ourselves more than other sectors, while not necessarily delivering better efficiency. There now needs to be a progressive move back – towards alignment with other sectors in terms of productivity and the pay we offer. And we must start moving in that direction now.

I want to leave you with a distillation of what we have to do to make the title of this lecture a reality.

- **First, we should be more balanced in our evaluation of the railway we have today. It really does a pretty good job for individuals and nationally and proof of that is in our strong growth.**

- **Second, our contractual arrangements should be more mature, more geared to long term outcomes, less influenced by government and regulatory prescription and more structured to incentivise good, customer focused business practices.**

- **Third, politicians, regulators, watchdogs and the many others who observe the industry from the sidelines should have more confidence in the industry players to take the industry in the right direction. Government should be strategic in its role and regulation should be light touch.**

- **Fourth, we should confidently continue the drive for growth in our industry, and in making our investment decisions we must be realistic about where the best economic return can be made. The industry will be the right judge of that and government should be guided accordingly.**

- **Fifth, train companies should relentlessly pursue continuous improvement in the quality of the passenger experience, and in building a service culture from top to bottom.**

- **Sixth, train companies should similarly make investment in retailing, ticketing and information a top priority, to build a stronger sense of trust between the industry and its customers.**

- **Seventh, Network Rail and its supply chain must work tirelessly to improve the technological, engineering and management processes that underpin their activities to achieve more efficiency. So must rolling stock manufacturers.**

Finally, and all in all, these steps are about improving ourselves as an industry, as a business. We should become more focused on demand than supply. We should become more commercial, in the sense of being more passenger and market led. Because ultimately, it's my passionate belief that in order to offer more for less, we can do no better than seek to be a better business for our customers.

Thank you very much for your attention this evening.

16 April 2012.

ATOC

Association of Train Operating Companies