Movement Matters is a series of thought leadership events, presented by Steer, exploring new ideas about places, people and economies and providing a burst of fresh thinking.

Post-event summary

THE FUTURE RAILWAY ORGANISATION

26 March, 2017
6:00pm-9.00pm
Venues County Hall
Riverside Building, Belvedere Rd
London, SE1 9PB

The blurring of rail infrastructure and service delivery is increasing. Encouraged by politicians to seek integrated decision-making and efficiency - facilitated by technology blurring traditional interfaces between railway staff roles and empowering the consumer - creates both pressures and opportunities dealing with a railway that needs to accommodate growth.

We brought together industry experts with different points of views and perspectives to facilitate a discussion on how Britain's railway needs to adapt to deliver for the future.

The session began with **Stephen Gardner, Executive Vice President for Planning, Technology and Public Affairs for Amtrak**, offering a perspective from his experience in America. In his presentation:

- He recounted the history and lessons behind Amtrak's creation and evolution as a private corporation that delivers a public mission. Today, Amtrak serves over 500 destinations in 46 states while recovering 94% of operating costs. It operates a diverse set of services over a highly fragmented and complex rail network where 97% of its route miles use infrastructure owned by other companies.
- Stephen noted that the flagship Acela Express service, which serves this Northeast Corridor (NEC) is one of the most successful examples of rail investment in the USA in recent years. Today, this profitable service accounts for half of Amtrak's revenues and a third of its passenger journeys.
- He also highlighted that a lack of a network-wide view and a traditional reluctance to collaborate is making it hard to create a truly optimised train service for all the railroads using the NEC. However, the NEC Commission with its State and Federal oversight will (hopefully) help lower barriers, facilitate collaboration, and unlock the investment needed to create a modern railway, fit for the next generation.

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Andrew Haines, Chief Executive of the UK Civil Aviation Authority (CAA) presented next. He joined the CAA after a wide-ranging career in the rail industry and used experience in both rail and air sectors to draw comparisons.

- Vividly describing the impact of intense competition in the aviation industry, Andrew highlighted that airline customers are highly price-sensitive, and liberalisation has driven air fares down by incentivising greater competition.
- Andrew noted that the role of the private sector and competition in the UK is mature and being followed by other countries – the UK is unique in having virtually all its airports in private ownership and only Heathrow and Gatwick are now subject to economic regulation.
- Following the UK's Competition Commission's decision to force BAA to divest three airports, Andrew noted the impact this had on the growth of the airports, which he attributed to greater management freedom and focus.
- Powerfully contrasting the air regulator's single primary duty – to protect the interests of the consumer, – with the rail regulator's 20+ duties, Andrew went further to note that the role of UK government in the aviation sector is very limited. There is almost no public funding, virtually no direct control, a small aviation team at the Department for Transport, and instead a reliance on international legal obligations.
- Andrew reflected that the aviation industry was now wrestling with the issue of capacity constraints which are only likely to become more acute – a feature not present when he joined the CAA - in contrast to the railway. He proposed that, in the future, there may be a greater need for a broader, long-term view on how best to optimise capacity.

Howard Smith, Crossrail's Operations Director and Chief Operating Officer for Rail at Transport for London explored lessons learned from his experience of London's railways.

- While privatisation has delivered one the fastest growing and safest railways in Europe, aligning franchise incentives with asset lives is difficult. However, the rail industry in Great Britain is becoming a victim of its own success. Capacity constraints are emerging, and it is becoming increasingly expensive to intervene and change the network where rights involve complex agreements between multiple parties.
- Vertical integration is probably not the answer, but there are ways of bringing things closer together to improve performance, and the focus should be on the softer incentives and management approaches to align incentives.
- Howard concluded that no one organisational or ownership model is likely to reflect the needs of the different markets of Britain's railways.
- He suggested that there are lessons to learnt from TfL's experience of London Overground - enormous passenger benefits and growth on a relatively modest budget of £1.5bn. He attributed this and the impending success of Crossrail (already visible on the transferred services), to a structured approach that is separate from direct political interference.
- Howard contrasted the benefits of privatisation and competition with the contribution of a stable and empowered public sector, citing as example London's Oyster card and contactless payments.

Discussion on the presentations focused on the lessons to be learned from each other, the benefits of collaboration, of deregulation, and the difficulty stemming from fragmentation. Howard emphasised that it becomes easier to incentivise the industry towards the benefit of customers through a more collaborative railway.

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Andrew was asked *'Which of the many rail regulations would he change?'.* His fundamental view was for customers to be the motivation for regulation, and that devolution within Network Rail might add to that passenger focus. Howard noted that this view is reflected in the TfL approach to incentivising good train performance, irrespective of cause, to provide benefit to passengers.

As the debate concluded, the question was *'Should the rail industry devolve or amalgamate to get clarity and momentum?'*. With no clear single solution, Stephen hypothesised that what mattered was strong leadership, along with empowerment and incentives to achieve a more collaborative, integrated and successful rail industry.

KEY THEMES

In concluding Mike Goggin, Director at Steer, acting as chair on the night, highlighted four common themes emerging from the presentations and further discussion:

1. The challenge of capacity cannot be ignored, and needs collective understanding and action to resolve constraints.
2. Creating delivery approaches which further fragment, complicate or harden rights and obligations, without ability to be flexed, would make the challenge of responding to the market and to stakeholders more difficult and more expensive.
3. There is a need to empower management to act by removing unnecessary 'noise' of intra-modal conflicts.
4. Freeing the industry from political interference and detailed and over-burdensome regulation could help to stimulate new approaches to delivering the outcomes Government wanted.