

IN MY VIEW

KIM HOWELLS

Transport Minister Kim Howells argues that the Government's White Paper, the Future of Rail, will deliver a railway that works in the public interest

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The recently published White Paper on the future of Britain's railways tackles the issues that have plagued the industry since privatisation and puts the network on a sound footing for the future. Rail is an essential public service and central to continued economic growth, but the network had been systematically starved of investment over many years. The botched privatisation process had resulted in an operating structure that was seriously flawed, which in turn hampered significant improvements in performance and cost control.

Against that background, Transport Secretary Alistair Darling launched the rail review in January. The review found that, if the rail industry was to work genuinely in the public interest, it needed streamlining. The blurred responsibilities that existed had to be brought back into sharp focus with a single point of accountability for performance.

This is why the White Paper proposes that the Government takes charge of the national railway strategy, while Network Rail is given responsibility for operating the network and its performance. Track and train companies will work more closely together at the local level. The Office of Rail Regulation will encompass safety, performance and cost. And there will be a better deal for freight operators to enable the industry and its customers to invest for the long term.

When it was created in 2000, it was expected that the Strategic Rail Authority (SRA) would provide strategy and leadership for the rail network. It has achieved a great deal under chairman and

chief executive Richard Bowker, with some notable successes, including getting the West Coast Main Line route modernisation under control, and the strategy to upgrade power supplies in southern England, to say nothing of its work with community rail partnerships. So, given its achievements, why have we chosen to dissolve it now, subject of course, to legislation?

Although the SRA was right for its time, it frequently fell between two stools. On the one hand, as a public sector body positioned outside the industry, it had difficulty in being seen as the industry leader. On the other, it could never attain full responsibility for determining the Government's rail strategy. Ultimately it is for Ministers, answerable to Parliament and the electorate, to take decisions on rail in the context of transport policy more widely. These difficulties were recognised by the SRA itself when responding to the rail review.

So the SRA will be wound up as a part of the streamlining process, but why not go the whole hog and move to vertical integration whereby train and track is owned and managed by the same organisation? Although we gave a great deal of thought to this approach, the disadvantages outweighed any potential benefits. It ran the risk of continuing the fragmentation of the industry and of creating regional monopolies, which might not be beneficial to achieving the kinds of performance improvements the network requires.

We chose a solution that strengthened Network Rail's role, making it responsible for overall performance delivery. This creates clearer lines of responsibility and a single point of accountability for performance so everyone knows who is in charge.

We recognise the case for improving devolved decision-making. The best solutions to local transport needs are often best taken at the local level. So, in Scotland it makes sense for the Scottish Executive to have full responsibility for planning, specifying, and managing ScotRail. In turn, the Welsh Assembly Government will have significant additional responsibilities, allowing it to specify services and fares for local services and those bordering Wales.

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In London we are proposing to extend Transport for London's role and responsibility for rail services. We will look at the scope for integrating and rationalising fares across different types of public transport within London. We are proposing that the Mayor should be able to buy additional services or propose savings and we are considering whether, in the future, it would be feasible to extend TfL's role and responsibility for rail services.

Similarly, through legislation, we intend to give Passenger Transport Executives greater flexibility with regard to transferring funds to meet local need, so they can choose between rail and other forms of transport – bus and light rail for example.

But it will be Network Rail who, through an agreement with Government that will be akin to a commercial contract, will be held accountable for delivering a reliable service and it will be required to regularly report to and satisfy Government that



THE WHITE PAPER AT A GLANCE ...

Is it another step towards re-nationalisation or simply a way of making our railways more efficient? *Rail Professional* sets out some of the Government's main proposals.

- The Government will take charge of setting railway strategy. It will decide how much public money is spent and on what it is spent.
- The SRA will be scrapped, with its responsibilities passing to the Department for Transport.
- The Office of Rail Regulation will retain its independence from Government and the industry. It will take over responsibility for safety from the HSE.
- Network Rail will have a strengthened role as operator of the network. Government will set targets defining what Network Rail is required to deliver for the public money it receives
- Track and train will work closer together – but there will be no return to a vertically integrated railway.
- The number of franchises will be cut and become closely aligned with Network Rail's regional structure.
- More power will be devolved to the Scottish Executive and Welsh Assembly, providing them with responsibility for planning, specifying and managing services.
- Passenger transport authorities in England will have greater responsibility and could switch funding from rail to buses.
- London Mayor Ken Livingstone will have a greater say over rail services within the Greater London Area.
- Freight operators will have greater certainty about their rights on the national network. Key routes will be identified, on which freight will pay for more assured rights of access.

it is making progress. This begs the question, of course: what happens if Network Rail fails to deliver?

Although Government now has effective control over strategy and public expenditure on rail at the national level, it is the Office of Rail Regulation (ORR) that will have full authority to price the outputs Network Rail provides. Not only will the ORR ensure Government pays the right price for these outputs, it can use appropriate enforcement mechanisms if Network Rail fails to deliver.

In the future, the ORR will also have responsibility for safety regulation. This is not to devalue the work undertaken by the Health and Safety Executive, which has overseen a steady improvement to rail safety. Instead it is a move designed to help simplify the safety regulatory structure, based on a model pioneered by the Civil Aviation Authority.

Given this new spirit of co-operation, why have we decided to keep the delay attribution scheme? The armies of people employed solely to apportion blame often seemed to be the most visible manifestation of an inherently flawed operating structure, one which was based on false and sometimes perverse market incentives between track and train companies that did not reflect customer need.

Indeed, as everyone in the industry is only too aware, this process resulted in a climate of buck passing, hostility and windfall profits being made at the expense of other people's delays.

Nevertheless, attribution did provide a lot of valuable information about delays and their causes. So the White Paper proposes a much-simplified scheme with more realistic compensation rates and one operated on a more streamlined and professional basis that will result in agreements being made more swiftly by smaller

numbers of people. The only financial incentives will be to run trains on time, as passengers have a right to expect.

In this way, track and train companies can work much more closely towards delivering improved performance and get a far better grip on costs than ever before. Indeed, rail users and taxpayers have a right to expect value for money and I want to take this opportunity to remind the industry that a key priority across the board is cost control. We are spending record amounts on rail, over £33bn, and although we have been given additional resources in this year's spending review, the pot is not bottomless.

This said, the industry is to be congratulated for attracting more than a billion people to its services and for hauling freight across record distances. Our task now is to work together to build on that success and deliver a more cost effective, more customer focussed railway that benefits us all.