

Date of Request:	Request and ORR's response
04/04/07	<p>Request:</p> <p>Request for information for use in dissertation on the comparison between the French and British rail network</p> <p>ORR's response</p> <ul style="list-style-type: none"> <p>Since the 1997 European reform act for open competition we have 21 train operating companies (TOC's) operating the train services on a franchise basis under licence which conforms to the act, whereas the French rail network has only SNCF operating the trains and RFF for the infrastructure. Do you think that the French have conformed to the act, if so, can you explain why.</p> <p>This question should be referred to SNCF or the French regulatory body¹. This is not for ORR to comment.</p> <p>The French railway reform took place in 1997. The infrastructure management was extracted from the state-owned public company, SNCF, and was given to a new public company - Réseau Ferré de France (RFF). The 1997 law also provided for the "experimental" regionalisation of the French railways in six regions. With the opening of the rail freight market in France from March 2006, new operators have started or are due to start operating rail freight services alongside SNCF. These are Veolia Cargo, Euro Cargo Rail, Rail4Chem, Seco Rail and VFLI.</p> <p>Network Rail has taken over from Rail Track and is the only company that maintain the infrastructure, do you think other companies will be encouraged to enter this market in order to open-up the industry to be more competitive like the TOC's operations.</p> <p>As the Government explained in its 2005 White Paper, 'The Future of Rail', Railtrack, the former owner of the network infrastructure, was privatised as a 'virtual company', retaining few core engineering skills. This was because, as a part of the privatisation, the then Government compulsorily outsourced Railtrack's engineering work to infrastructure maintenance companies, who were given responsibility not only for carrying out maintenance and renewals, but also for the specification and inspection of their own work. This led to Railtrack's knowledge of the state of its assets diminishing, and to a maintenance strategy that saw the condition of the track deteriorate rapidly.</p> <p>In March 2002, Network Rail, a private company limited by guarantee, was established</p>

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and Network Rail acquired Railtrack and took over responsibility for Britain's rail network in October 2002.

A structure where the train and tracks are owned by the same company has been proposed by some. However, the Government believes that there are a number of characteristics of the UK rail industry which suggest that a structure of this kind would not be appropriate. The geography of the UK rail network means that a high proportion of track is shared by long-distance and local passenger traffic, and by freight users. With combined ownership of track and train, this could cause serious conflicts of interest between the dominant company in a region and the other passenger and freight users who would need access to their track.

In addition, given the high levels of public funding required by the UK rail industry (in common with other European railways), having train companies compete for the right to operate services can be advantageous in terms of delivering improved value for money. It would be much more difficult to secure effective competition if track and train companies were merged to create regional monopolies. Furthermore, although Network Rail is taking steps to address this, there remains the problem that the condition of its assets is not well understood.

Lastly, the break-up of Network Rail into regional companies would risk seriously weakening its bargaining power with suppliers, and would mean there was no organisation in a position to consider network issues at a national level. This would be very damaging and disruptive at a time when the main focus of the management team must be to secure the 31 per cent efficiency gain which is required over the next five years.

Structural models that separate ownership of track and train have been developed across Europe to deliver rail services in the light of European legislation and changing political priorities. In the Netherlands and most Scandinavian countries, there are separate infrastructure and operating companies, both of which are publicly owned. In Germany, train operations and infrastructure management are carried out by different companies, but united under a single holding company.

In October 2003, Network Rail decided to take maintenance back in-house. These reforms are delivering benefits in terms of cost efficiencies, improving reliability, and higher morale. This also allows Network Rail to have more control over the work carried out, reducing management duplication and overheads as well as ensuring consistent application of high quality work. In addition, Network Rail is taking steps to improve its knowledge and understanding of its assets.

British Rail estimated that 500 miles of track needed to be replaced each year just to stand still. But in the lead up to privatisation less than 300 miles of track were renewed each year and after privatisation it dropped to just 200 miles. Network Rail replaced 853 miles of track in 2003-04, but has a long history of under-investment to overhaul. However, the industry is now tackling these problems, and Network Rail and the train companies are putting programmes in place to reduce the major causes of delay. There

are now targeted improvement plans based on analysis of the underlying causes of delay which have had a real impact. Improved action plans for poor weather meant that in autumn 2003 delays caused by Network Rail reduced by 25 per cent compared to the previous autumn.

- **ORR is government financed, do you think that this will ever change and become fully privatised?**

ORR is funded through a combination of licence fees and a railway safety levy. Economic regulation activities are funded through the licence fee paid by Network Rail. Providers of railway services are required to pay a levy to cover the costs of ORR's activities as the health and safety regulator and enforcement body for the railway industry. The levy is based on relevant turnover – that is the turnover on railway-related activities reported by the railway service provider for the previous financial year. Those railway service providers with a relevant turnover below £1 million are not liable to pay the levy, and those railway service providers with a relevant turnover between £1 million and £5 million are liable only to pay a flat rate fee of £1000.

- **The French TGV trains was designed by a British designer, 'Jack Cooper', however, the French TGV programme has been successful with its technology and has exported its advanced technology to other companies, do you think that the British will ever achieve the same success?**

While French TGV programme has been very successful under the governance of SNCF, it should be remembered that numerous companies are involved in the production and maintenance of the rolling stock and related infrastructure that make high speed operations possible - see:

http://en.wikipedia.org/wiki/List_of_rolling_stock_manufacturers. High-speed French TGV trains operate on purpose-built infrastructure, which was subject to very large amounts of consistent, long-term public subsidies. - see

<http://www.trainweb.org/tgvpages/indexintro.html>

In theory there is no reason why Britain could not develop a similar modern purpose-built high-speed train system, which builds on the success of TGV networks across Europe. Indeed, Britain's first Interoperable 'high-speed 1' (which links the Channel Tunnel with London's St. Pancras Station) is due to open in October.

British Rail Engineering Limited (BREL) was responsible for the design of many successful steam, diesel and electrical engines and rolling stock between 1947 and the late 1980s (when Britain's railways were nationalised under British Rail) - see:

<http://en.wikipedia.org/wiki/BREL>. For example, in the late 1970s BREL developed the high-speed Advanced Passenger Train, which was similar in design and purpose to the TGV rolling stock - see: http://en.wikipedia.org/wiki/Advanced_Passenger_Train. The Tilt technology developed for BREL's APT has been incorporated into the Italian-built Virgin Pendolino high-speed trains currently operated on Britain's West Coast Mainline network.

However, the key question as regards developing new high-speed rail lines in Britain is whether there is the political will, a commercial market and financial backing to make additional high-speed lines a reality. Britain is significantly smaller (with more densely packed urban conurbations) than France. Many of Britain's major cities can be accessed within 2-3 hours and developing new lines in densely packed urban conurbations is difficult. So while it may be technically feasible to build and operate additional lines, Britain's Government and rail operators would need to be much more convinced that there is a commercial market before investing in a new high-cost, high-speed railways lines, which might only at best reduce journey times by up to an hour.

- **The French system has a very good safety record with trains travelling at very high speeds, how come that we have such a poor record on safety?**

It is often assumed that Britain's railway network has a poor safety record when compared with other European countries; this is not necessarily the case. Rail safety in Britain has improved in recent years and continues to improve. In general terms, the health and safety performance of Britain's railways compares relatively favourably with other similar, large, mixed use, high density, and heavily used rail networks.

It is true that France's TGV network has an excellent safety record (no passenger deaths in high-speed train incidents since TGV began in 1981), however its history has not been without incident. You may be interested to see the information at the following link: <http://www.trainweb.org/tgvpages/wrecks.html>

It is not always easy to compare railway safety statistics between European countries because definitions used for some of the different categories recorded can vary between member states and because of the relatively small statistical datasets involved. However, you may find the Eurostat website of interest as it contains comparative rail transport data:

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-07-034/EN/KS-SF-07-034EN.PDF

It appears to indicate that Britain's railways have a reasonable safety record. You may find Eurostat's homepage of use - see:

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,30070682,1090_33076576&_dad=portal&_schema=PORTAL