

## **Interview with CHRIS STOKES (Executive Director, Railway Development)**

**Shadow Strategic Rail Authority (Summer - 2000).**

**Present – RV and IM**

Relationship between Virgin and ALSTOM started with the transfer of the maintenance of the existing kit.

The notion that don't just want to buy the kit but something quite intangible to the kit which the ultimate consumer wishes to buy is central to the auto industry. What is the locus of SRA in the environment affecting these contracts.

The privatisation of the rail industry was much more successful than expected. Presumption was of steady state in volumes but there is a structural change in the market. The econometric models for rail travel had been a positive relationship with GDP and a negative relationship with time trend. The hypothesis was that increasing car ownership in a steady state market would eat into the volume of train travel. We now know that the negative time trend does not exist and that there is sustained growth. Passengers on inter city routes and London commuters are ABCs who already have access to cars. Rail travel is a choice not a distressed purchase and the road network is getting worse and more congested.

David Humphrey arrives.

Structural change in the market coincided with privatisation. Business dynamics are different it is enormously important for the rail franchises to grow their income whereas for BR it was the cash limit which was important. Telephone inquiry centres under BR were a cost centre so to shave costs you closed a few phone lines. Now they are not only a regulated activity but a major generator of growth so response time is improved and the access to information through that and the Railtrack web site is going through the roof.

TOCs can not control their rolling stock or rail access charges significantly and so they must raise their income. The joint impact of the structural market effect and the new business dynamic have given sustained growth as against continuous decline. Privatisation wasn't carried out on the basis, Treasury wouldn't have permitted it.

There is also a degree of plurality that wasn't there under BR, franchise bidders are looking for their USP. The Virgin ALSTOM deal grows out of this environment. Private sector operators want their suppliers to give them very complex packages and SRA is trying to deliver more of that through the re-franchising process. SRA is involved inter alia in two major projects, the upgrading of passenger services on the East Coast mainline and our themselves procuring £1.5 billion of new rolling stock tranches of which will be peeled off and novated as the franchises are replaced. This is to prevent SRA being held to ransom during the franchise replacement process by prospective franchisees. ("Agree the deal on our terms or we won't do anything about the Mk I rolling stock"). Have to be seen to be prepared to do it. All of the rolling

