Passenger usage on the national rail network increased greatly in the late 1990s. Between 1994-1995 and 1999-2000, passenger kilometres increased by 34%. Since 1999-2000, however, passenger kilometres have stabilized. In 2000-2001, they showed a slight reduction of 1%, partly influenced by the problems on the network following the accident at Hatfield. The period 2001-2002 was marked by an increase of passenger traffic of 3%. This increase, between 2000-2001 and 2001-02, was mostly due to an increase of 7% in passenger kilometres on long distance operators. Over the same period, regional operators showed an increase of 1% in passenger kilometres while the London and South East operators’ figure remained virtually unchanged.

Freight traffic has also experienced substantial growth. Increased road congestion and economic growth have contributed to an increase of nearly 50% in rail tonnes kilometres from the low point in 1994-1995, after a period in which rail freight withdrew from many of its historic markets in response to short term financial pressures. In the year 2002-2003, total freight moved by rail was up by 7%.
The Strategic Rail Authority published its second Strategic Plan in January 2003, highlighting the challenges of tackling issues of performance, cost and safety in the short to medium term to meet the goals set out in the Government 10 Year Transport Plan.

Since the replacement of Railtrack by Network Rail in late 2002, the Strategic Rail Authority (SRA) has taken on the role of the network strategic specifier of the railway, and taken forward a series of initiatives aimed at improving performance and efficiency, prioritizing customer needs, reducing costs and improving planning.

The SRA issued a new franchising policy in November 2002. This policy is designed to provide incentives to Train Operating Companies to deliver on basic passenger requirements and seek cost efficiencies.

In December 2002, it published a statement of high-level principles on capacity utilization, addressing the need to secure best overall used of the existing network. It focused on making the best use of the existing network rather than relying on new rolling stock and waiting for major investments before changes can be made. The outcomes are expected to include improved performance and/or reduced overcrowding achieved by improvements to operating practices, better deployment of rolling stock and alterations to timetables. The first benefits of timetable changes are expected in 2004-2005.

A fare policy seeking to achieve a better balance between taxpayer and user revenues is being developed and is planned to be published in the next few months.

The next key challenge is to make the Case for Rail as part of the roll-forward of the 10-Year Plan and as an input to the Government Spending Review 2004. The SRA is developing credible and robust options for infrastructure and service provision for the Government to consider.

The emphasis of the original privatization process was on improving efficiency through the introduction of competition. The sales of British Rail businesses in 1994/95-1996/97 created a large number of separate private companies to provide track access, freight services, rolling stock services, maintenance services, etc. The process of franchising passenger services in 1995/96-1996/97 created private sector franchisees to run 25 separate train-operating companies (TOCs). The franchise agreements entered into in that process enabled the Government at that time to plan for substantial reductions in rail subsidy. The final set of public expenditure plans drawn up by the Conservative Government provided for a 16% reduction in subsidy between 1997/98 (the first full year of privately operated passenger services) and 1999/2000.

The original rounds of sales and franchising assumed largely constant levels of railway patronage following a continuous fall between 1988/89 and 1994/95, but the number of passenger miles travelled in fact increased by nearly 40% between 1994/95 and 2001/02. It became increasingly clear that major new investment was required to meet the growing demand, to prevent it leading to increased overcrowding and to deterioration in service quality. The focus of current Government policy is, therefore, on planning for growth and on countering the adverse effects of fragmentation.
So far as planning for growth is concerned, the 10-year Plan for Transport, published in July 2000, provided for the decline in TOC subsidies to be halted. In replacement franchises, the SRA has been seeking TOC commitments to substantially increased levels of enhancement investment. Also, since April 2001, the Government has been providing direct network support to Railtrack to fund substantially increased levels of maintenance and renewals investment.

Several measures to counter fragmentation were included in the Transport Act 2000. For example, the SRA was created as a new guardian of the public interest with duties to promote rail use, plan the strategic development of the rail network and promote integration between transport modes; and the Rail Regulator was given a new duty to facilitate the SRA’s overall strategy for the rail network. In the last six months, the SRA has been consulting on proposals to combine franchises that share major London stations. In its consultation document, the SRA said it believed that reducing the number of franchises at some stations would make better use of existing capacity, improve punctuality and reduce complication for passengers.

Network Rail

The Rail Regulator considers that the key priorities for Network Rail are to:

- operate, maintain and renew the network safely and efficiently, so as to sustain its ability to meet the reasonable requirements of customers and financial backers, both now and over the longer term;

- deliver the baseline output and asset condition targets for which Railtrack was funded at the periodic review and, where these are not currently being delivered, to achieve significant improvement over the current situation;

- deliver committed enhancements and work constructively with operators and financial backers on the implementation of new enhancements where appropriate;

- develop better and more transparent relationships with its customers; and

- achieve improvements in efficiency while delivering the above.

Since privatization, the rail industry has been characterized by a lack of focus towards the objective which must be shared of delivering a better service to rail users. Railtrack, in particular, has been roundly criticised for its short-term approach and for its lack of customer care. Network Rail has said it wants to foster a new spirit of cooperation, working in partnership with its contractors, train operators and the SRA.

SRA

The Strategic Rail Authority (SRA) is the strategic, planning and coordinating body for the rail industry and the guardian of the interests of rail passengers. It acts as a purchaser of train services and railway infrastructure, promotes rail passenger and freight transport and encourages private investment in UK railways.
Rail Regulator

The role of the Office of Rail Regulator (ORR) continues unchanged as an independent economic regulator but rather than appoint an individual, there will be a regulatory board instead. The ORR and the SRA have signed a concordat defining how they will work more closely together.

Train operators

The train operating companies (TOCs) provide passenger services, within the terms of their licence and, for the vast majority of services, a franchise awarded competitively by the SRA. The TOCs have a commercial relationship with their passengers and, where they have a franchise, must deliver minimum service specifications and investment commitments.

Network Rail

Network Rail became the new operator of Great Britain’s rail network on 3 October 2002, when the Courts agreed that the Railway Administration Order should be lifted. This allowed Network Rail to complete its acquisition of Railtrack and take over its functions.

Network Rail is a private sector ‘not for dividend’ company limited by guarantee. It is run on commercial lines with the aim of making an operating surplus from its activities. As there are no shareholders, any operating surplus it makes is reinvested in the network. The mission of Network Rail is to deliver safe, efficient and dependable infrastructure for the rail industry, with the operation, maintenance and renewal of the network as its key priorities.

In the absence of shareholders, the Board of directors of Network Rail is accountable to 115 members, drawn from industry, others with a public interest in the railway with one member from the Strategic Rail Authority (SRA).

The Government has made available a package of support to Network Rail to allow it to raise the necessary private finance for it to carry out its functions and overcome the legacy of problems inherited from Railtrack. The support is mainly in the form of standby credit facilities. In the short term these total £21 billion. In the medium term Network Rail plans to refinance its existing debts through a securitization programme. The standby credit facilities are then expected to fall to £4 billion.

Investment in rail infrastructure

Public and private investment in the railway (excluding rolling stock investment) in 2001/02 was £3.1 billion, a record level. The great majority of this was investment in rail infrastructure.

Network Rail is responsible for investment to renew the existing rail network, and also for carrying out a limited number of investment projects to enhance the network. These include the West Coast route modernization and improvements to track power supplies in Southern England to accommodate new rolling stock. It is proposed that future major rail enhancement
projects will be undertaken by Special Purpose Vehicles, specifically established to undertake the investment.

There is also substantial investment in the Channel Tunnel Rail Link, with £558,934,000 being paid out in grants to date.

The UK Government’s plans for investment in the railways in the longer term are set out in ‘Delivering Better Transport – A Progress Report’ published in December 2002. Total public investment expenditure in railways is planned to be £19.2 billion in the 10 years between 2001/02 and 2010/11. Private investment in rail over the same period is expected to be £34 billion, giving total investment of £53 billion. A further £13.8 billion of Government spending will support current expenditure on the railway. Total public spending and private investment in the 10-year plan period is, therefore, £64 billion.

Investment in Rolling Stock

Since April 2001, around 970 new vehicles worth nearly £1 billion have been delivered on the network and around 2,100 new vehicles around £2 billion are on order.

Most of those on order are what is known as 'Mark 1 Replacement Vehicles' (the slam door trains) and are due to be on the network by December 2004. However, before all the replacement vehicles can operate the power supply in the south of the Thames must be upgraded. This major project - led by the SRA - is expected to be completed by spring 2005.

UNITED STATES OF AMERICA

Information on the situation and developments related to the railway transport in the United States may be obtained from the Federal Railway Administration website (www.fra.dot.gov), as well as from the Surface Transportation website (www.stb.dot.gov), the Association of American Railroads (www.aar.com), and Amtrak (www.amtrak.com). Most of data and information on past and future developments of rail passenger and goods traffic may be found at these sites, in either policy statements and/or press releases of policy decisions, etc.