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As pressure mounts on the Government to publish its long-awaited rail reform package, Keolis UK Chief Executive ALISTAIR GORDON shares his feelings with PAUL STEPHEN on what the forthcoming Williams Review could mean for the future of rail franchising

When the Government announced in the early days of the Coronavirus pandemic that it was suspending all rail franchises, it was widely declared that 'franchising is dead'.

The existing system of private companies bidding for contracts based on revenue projections and passenger growth forecasts had prevailed for 25 years before finally coming unstuck.

Efforts to control the spread of disease had necessitated a nationwide 'stay at home' order by Prime Minister Boris Johnson on March 23 2020.

Starved of revenue but with continued day-to-day operational costs to meet, Britain's train operating companies could no longer abide by their contracts and were inevitably placed on a one-way route to bankruptcy.

Ministers acted rapidly by offering franchised operators new Emergency Measures Agreements (EMAs) that transferred all operational costs and revenue risk to the public purse.

The EMAs were intended to be temporary contracts and have since been replaced by Emergency Recovery Measures Agreements (ERMAs), which pay operators a management fee to keep the trains running of up to a maximum of 1.5% of the cost base of the franchise before the pandemic began.

Despite providing much-needed stability, the ERMAs have proved controversial to those who have long called for the passenger railway to be brought back into public ownership.

Supporters of renationalisation - including rail unions and opposition MPs - argue that private companies should not be allowed to make a profit while all commercial risk is borne by the taxpayer.

They believe that the collapse of franchising serves to reinforce their position and have seized on the considerable revenue support currently being provided by Treasury (of up to £800 million a month) as an opportunity to fundamentally reverse the privatisation that took place in the 1990s.

Ministers have firmly rejected this, however. They point to the virtues of retaining private sector involvement and the dynamism and financial discipline it brings, even if franchisees are unable to accept revenue risk.

ERMAs will not therefore provide a gateway to full renationalisation but will instead be a prelude to reform, and a recalibration of the relationship between the public and private sector.

This policy was summed up by Secretary of State for Transport Grant Shapps last September, when he said: "The model of privatisation adopted 25 years ago has seen significant rises in passenger numbers, but this pandemic has proven it is not working.

"Our new deal for rail demands more for passengers. It will simplify people's journeys, ending the uncertainty and confusion about whether you are using the right ticket or the right train operating company.

"It will keep the best elements of the private sector, including competition and investment, that have helped to drive growth, but deliver strategic direction, leadership and accountability."

The exact details of what will eventually replace ERMAs will be revealed in the contents of a Government rail reform package that is expected imminently.

That reform package will be presented to MPs in the form of a White Paper which will itself be based on recommendations made by former British Airways Chairman Keith Williams, who has conducted a root and branch review of the structure of the industry.

That review was commissioned in September 2018 by former Transport Secretary Chris Grayling, following the chaotic May 2018 timetable collapse. It was designed to address the long-standing and increasingly problematic separation of accountability and responsibility that has existed since the scrapping of the Strategic Rail Authority in 2004.

Other areas for consideration by Williams included tackling fragmentation, improving accessibility, producing a system able to address long-term cost pressures, and delivering a new commercial model for rail services that prioritises the interests of passengers and taxpayers.

For the latter, Williams and Grayling were both clear that franchising could not continue in its current form, following the high-profile collapse of the East Coast franchise and its replacement by a publicly owned Operator of Last Resort (OLR) in June 2018.

This OLR (LNER) has since been joined by two others, following the appointment by the Department for Transport of an OLR to succeed Northern from March 1 2020, and by the devolved Welsh Government to replace Transport for Wales Rail from February 7 this year.

More recently, the Scottish Government has also opted to appoint an OLR to take over the ScotRail franchise from next April (*RAIL* 927).

The Williams Review was due to have been completed last spring, before being heavily delayed by the pandemic. It has since been redrafted to incorporate subsequent events, including the enforced end to franchising, and is now being dubbed the Shapps-Williams Review.

Rail Minister Chris Heaton-Harris responded to frustrations within industry at the delay in publication of the Williams Review by stating at *RAIL*'s National Rail Recovery Conference (NRRC) on February 25 that "the White Paper is coming" (*RAIL* 926).

The commencement of purdah in the run-up to the local elections on May 6 has prevented its publication in recent weeks, although it is now widely assumed to be a matter of days rather than months before it sees the light of day.

Speculation on what recommendations will be made by the review has partially been fuelled by Williams himself, via several carefully prepared and hint-laden speeches. This included at the NRRC, where he spoke on February 25 in favour of the creation of a 'guiding mind' that is at arm's length from ministers and officials at the DfT.

This guiding mind would give industry greater responsibility and accountability for operational matters. Politicians would be removed from the day-to-day running of the railway and able to focus on setting the overarching vision for what sort of railway they want and how much money they are prepared to spend to achieve it.

Williams also said that under any new system, it would be incumbent on ministers to create the right conditions for investment and to ensure that "the private sector is well-

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placed to take on appropriate levels of risk and reward".

What this is thought to mean in practice is a shift from franchises towards long-term concessions where operators do not have to produce revenue projections or take on full revenue risk. Instead, they would concentrate solely on running services and improving the passenger experience.

Williams confirmed on September 21 that these new concessions would be similar to the current ERMAs.

One industry leader who shares the collective frustration that has grown around the continued absence of any Government White Paper is Keolis UK Chief Executive Alistair Gordon.

Majority-owned by French operator SNCF, Keolis is a major player in UK light rail and main line operations with large stakes in both the Govia Thameslink Railway and Southeastern franchises.

Gordon commends the speed at which government acted last March to prevent the complete collapse of the franchises, but says clarity is now urgently needed over any more permanent structural changes.

"The speed [of introducing EMAs] was impressive," he tells *RAIL*. "The very first Sunday that we were in lockdown was spent by me going through all the contracts that the Government had given us, which seemed really fair.

"They stepped in very quickly and made sure that there weren't any games played, and did the same across all the sectors like

bus and light rail, for which they must be commended.

"But I do think it's really disappointing that the White Paper hasn't come out yet, because that would give a clear signal for someone to stand up and lead the industry and lead the changes that are needed. It always seems to be three months away."

Gordon echoes the belief of ministers that the private sector will have a crucial role to play in a reshaped industry.

He points to the enterprising spirit and commercial acumen from operators that has helped to double annual passenger numbers over the last quarter of a century (to some 1.7 billion before the pandemic). He says this will be vital in helping the industry to recover to its pre-pandemic state and to reduce taxpayer support.

Gordon also appears comfortable with the concessions model suggested by Williams, given his direct experience of operating the GTR franchise as a management contract since 2015.

This would give train operators protection from taking too much revenue risk in an uncertain economic climate, while also providing scope to find the right mechanisms to incentivise operators to bring passengers back to the network and grow farebox revenue.

He explains: "The DfT and Treasury have had many years of thinking about costs and service provision, but one thing that the private sector has done is to cram more services into the network and grow revenue more than anywhere else in the world. There is a strong argument for keeping that private sector dynamism, but I don't think you can transfer all the revenue risk.

"We need some clarity, which is what I think Williams will do. In the last four or five years, we've been bidding for franchises where it's all down to revenue risk. Actually, I want a model which is far more about delivering the operating performance, customer satisfaction, and the cleanliness of the trains and the stations, because I really can't take any revenue risk.

"You can see how on inter-city operations such as the East Coast, West Coast, Great Western and CrossCountry that there might be something there [for continued revenue risk], and you also can see a revenue incentive mechanism working elsewhere. But it doesn't need to be total revenue transfer."

As well as arguing for some form of revenue protection for train operators, Gordon is also a strong advocate of Williams' ambition to introduce a more simplified and transparent structure for the industry and a clear line of accountability.

Although the Williams Review was set in motion by ministers tired of being blamed for operational issues over which they had no control, the same can be said of train operating companies which are frequently held responsible by passengers for problems that they are powerless to address.

Gordon explains: "At the moment, we have a Department for Transport that specifies the franchise, but a customer who believes it's the operator that does everything - whether that be fares or timetable changes. That frustration that people have when fares go up - that it's fat cat bosses taking all their money...

"You'll also know that 60%-70% of delays are attributable to Network Rail, but the operator owns the customers at the end of the

“I think government will need to do something nationally for the railways to try and stimulate leisure travel as well as getting commuters back. But you are only as good as your customer satisfaction and you need to be able to give your customers what they want.”

Govia Thameslink Railway 700059 forms the 0726 service to Orpington at London Blackfriars on September 11 2020. The Thameslink, Southern and Great Northern management contract represents the largest franchise in the UK and has been operated by a joint venture between Keolis UK and Go-Ahead Group since July 2015. PAUL BIGLAND/*RAIL*.

Tram 3058 arrives at St Peter's Square with a Bury service on March 2 2020. A joint venture between Keolis UK and Amey took over operations and maintenance for Manchester's Metrolink network in July 2017. TONY WINWARD.

day and gets all the blame for all of it.

"We need clarity on who is running the railway, what the role of the private sector is, and clarity on fares reform, so we know that we're trying to get passengers to pay for the railway instead of the taxpayer.

"Then there is further integration of the railways, which we've talked about for years and years, but which has not really happened."

When it comes to examining the concept of organisational integration on Britain's railways, Gordon is better qualified than most.

That's because Keolis UK is heavily involved in providing combined infrastructure and passenger operations on several light rail networks, including Manchester Metrolink, Nottingham Express Transit and the Docklands Light Railway.

A KeolisAmey joint venture was also handed responsibility in 2018 for running and modernising main line services in Wales, as part of a 15-year franchise agreement that included an operations and maintenance contract for the Core Valley Lines around Cardiff.

But that agreement came to an end earlier this year when passenger operations

transferred to a public-owned Operator of Last Resort. A new joint venture has been set up with Transport for Wales that retains the expertise of both Keolis and Amey in areas such as asset management, metro operations and multimodal ticketing.

Despite the loss of the franchise, Gordon remains committed to the principle of integration. And his company has not lost any of its appetite to operate in the UK market.

"On integrated networks like these, the Managing Director is in charge of performance and can't blame anyone else, so I like the idea of a more vertically integrated railway. I was immensely disappointed to lose the Wales franchise, but we're still there to help, are proud of the ideas we had for the network, and still want to see them delivered.

"It was almost like a social experiment in the sense that no one had really done what we were planning to do with a rural railway. But then COVID-19 came along, and demand fell to less than 10% overnight. Welsh Government wanted to operate the railway themselves, so we came up with an agreement where we stay involved and provide some of our public transport skills.

"Our shareholders have said that despite Brexit and the Wales franchise being lost, we are still really keen to be part of the UK rail market. Around the world I think people like to have a bash at our railway, but actually it's really improved in the last 20-30 years. We are still a very diesel-operated railway, but otherwise the service is very good in terms of capacity, safety and reliability. We are a railway model that others want to copy."

Looking ahead to the pan-industry challenge of recovering from the pandemic, Gordon is optimistic around the long-term prospects for rail travel.

Within the wider Keolis group there is vast experience of operating in foreign markets such as the Far East, where several other pandemics have been endured in recent times - including the outbreak of SARS in 2003 and MERS in 2015.

Much now rests on the Williams Review to give passengers the sort of railway that they want, and to equip operators with the tools they need to provide it in a post-pandemic but also a post-franchising world.

Gordon concludes: "We operate networks all over the world and we see that in places such as Australia and China demand has gone back to 85% quite quickly. Some traffic is lost, but peak-time is still busy as people do return to travelling into cities and conurbations.

"I'm convinced that we'll get back to 80% ridership quite quickly, although a year of not travelling does ingrain habits and it will be interesting to see how quickly people come back to work.

"I think government will need to do something nationally for the railways to try and stimulate leisure travel as well as getting commuters back. But you are only as good as your customer satisfaction and you need to be able to give your customers what they want.

"If we sit down and say we're doomed... we've had a huge number of people die, which is appalling and very tragic and everybody has been touched by it, but we will come out of it. My kids will come out of this and crack on with it, so we have to be positive.

"We will return back to work and all the things that we used to do because we are creatures of habit and we need things to look forward to. The railway will play a huge part in that." R

Alistair Gordon

Alistair Gordon has been CEO of Keolis UK since 2010, having initially joined Keolis as Project Director in 2004.

He is a graduate in Mathematics from University College London, after which he joined Jacobs as a transport consultant.

In 1995 he moved to Steer Davies Gleave as a consultant, where he worked during the early stages of rail privatisation before moving to Eurostar in 1997, performing a number of key roles including as its Strategy Director.