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Frances Cumberland  
Waterfront Conference Company

LONDON'S TRANSPORT FUTURE

Dear Frances

See attached my written text for this conference. Don't worry - I would not dream of actually reading it! I will give a shorter oral presentation on the day, so you can distribute it before I speak if you want.

Enclosed is a copy on diskette in Word format.

Sincerely

Michael Schabas

## *How Can London's Rail Services be Improved?*

### 1. Introduction

Transport is, overwhelmingly, the issue for London government. Bill Clinton realised that if he got the US economy right, voters would not care about much else. So it will be with London's new mayor. If he (or she) is able to *fix* transport, then re-election will be assured.

Alas, it will not be easy. Transport infrastructure costs a lot to build and run, and takes a long time to change. More seriously, however, is that transport is far removed from the market economy and so normal mechanisms of supply and demand are not working. It is a bit like trying to raise the standard of living in a command economy - it is easy to wish it to happen, but much harder to see how it will happen and who will pay for it.

Making transport work more like other, successful parts of the UK economy is essential if we are to maintain and improve London's position as the World's City. There are three steps to achieving this:

1. Charging motorists for roads at the point of use;
2. Transferring management of road and rail to private operators, who can apply commercial methods to improve service quality and efficiency
3. Guiding land use to support efficient transport services

### 2. Strengths and Weaknesses - How Does London Compare?

Most Londoners think that the transport system is inadequate, creaking on the verge of collapse. Compared with comparable world cities, this is quite incorrect. Road congestion in Paris, New York or Tokyo is similar or worse. London's orbital motorway, the M25, may be congested some of the time, but Paris's equivalent is not even built. Central London has had the benefit of strict controls on new non-residential parking for three decades, so that while traffic speeds have not increased they have not gotten much worse either. Massive spending has cleaned up New York's subway, but it still does not extend beyond the older suburbs.

London's rail network is far more extensive than in any other city, with more frequent and generally faster trains on many more routes. Commuters into Tokyo or Paris can board trains at about 600 stations. London commuters have more than twice as many stations, with the result that more Londoners can live in a leafy suburb, in a semi-detached house, with a short walk or drive to a train station. In Paris or Tokyo you are more likely to live in a flat. In New York it may be a house, but with a long freeway drive into Manhattan.

Rail fares are higher in London, but this is a matter of pricing, not cost. Paris keeps its rail fares down by levying special payroll taxes. New York relies on state and federal aid, and tolls on the bridges. You pay one way or the other, and the economic arguments for higher fares and lower taxes are fairly persuasive.

Comparisons with Amsterdam or Geneva, where it really is possible to bicycle or take the tram to work, are fairly irrelevant. London is ten times as large as these cities, and so typical journeys are

inevitably much longer.

### 3. Capital Spending or Better Management?

In the political arena, solutions to transport usually focus on capital spending. The logic is that the system is overloaded, therefore we need to expand the system. I will concede that this is partly correct. There are capital projects out there that make sense. But a focus solely on needed capital expenditure, which will take years to implement, is a great smokescreen behind which bad management can hide. Remember the Aswan Dam, which Nasser and the Soviets claimed was the key to bringing Egypt out of poverty? And the Humber Bridge, which was going to bring riches to northeast England?

First, we need to improve management of the existing road and rail networks. We have made a belated step at managing the road system with the creation of the Parking (now Transport) Committee for London. It was an absurdity that despite severe road congestion, there was no effective and consistent enforcement of on-street parking and bus lanes. This has now, hopefully, been fixed. Better management of street parking and bus lanes is in everyone's interest.

The next step for the roads is congestion charging. Currently we ration the use of road space simply by queueing - if you want to drive into central London, you must be prepared to sit on the Archway road for 20 minutes with the engine running. This is the same way they rationed bread in the old Soviet Union. Those with the most time to waste standing in line get the most. We need to use market pricing instead, so that demand is reduced to match the limited supply. This could be through electronic tolls, a central area pass system, or the bandied charging system I have advocated. No method will be perfect, but until we start experimenting we will never find a workable solution.

As for the railways, we have already privatised the operation of suburban and Intercity services and the infrastructure over which they operate. Some critics still blame privatisation for the perceived inadequacies of the rail system, although of course the real blame should fall on 50 years of public ownership, preceded by another half century of bad regulation. Hopefully, in a few months the Government will put dogma aside, and begin to take credit instead for the new railway system which privatisation is creating. Critics will always find negative statistics to cite, but the best proof that privatisation is succeeding is the impressive growth in both passenger numbers and rail freight over the past two years.

GB Railways, of which I am a Director, operates the Anglia franchise with InterCity services to Norwich and local services around east Anglia. Already, we have doubled the all-day frequency to Ipswich and have new trains on order so that we can offer a half-hourly frequency to Norwich commencing next year. These trains will cost about , 24 million. We are completely refurbishing our existing fleet, at a cost of about , 8 million.

We are refurbishing Ipswich and Norwich stations, with improved and expanded car parking. We operate an efficient telephone sales service, and have introduced a business club for our regular travellers. We offer catering on most of our trains, and have teamed up with Norwich's best restaurant to improve menus in our dining cars. We carry bikes on all our trains and have been awarded a Cycle Mark because of the other facilities we offer for cyclists. Although some

newspapers at first thought it was an April Fool's hoax, we really do operate a bicycle-rescue service in cooperation with the Environmental Transport Association.

On Anglia we have seen passenger numbers grow by about 7% in one year and have every expectation that this will continue. Over the life of the franchise, our call on public subsidy will decline from , 36m last year to , 6m in 2004. I have every expectation that by 2005, Anglia Railways will be operating entirely without subsidy and carrying more than 6 million passengers per year. It's hard to argue, I think, with this kind of success.

All this is being achieved with essentially the same management team inherited from British Rail, and within our own strict budget constraints. But it could never have happened in the public sector. What remains is to apply the same private management to the Underground, London's urban rail system.

#### 4. Investment - What is required?

London Transport's capital spending ambitions are dominated by new projects. The Jubilee Extension, Cross Rail, and the Chelsea Hackney tube. The JLE is coming in on the wrong side of , 3bn, and CrossRail and Chelsea Hackney will be no different. All three schemes would be nice to have, but are simply not worthwhile at these prices.

Thameslink 2000 is much cheaper, in the order of , 700m, as it makes use of mostly existing infrastructure. Currently the Snow Hill Tunnel is only used by about 8 trains per hour. It must make sense to run more trains across London from north to south. However the scheme is full of awkward compromises. It is difficult to see the advantages to Kent commuters of going to Holborn instead of Charing Cross or Cannon Street. Closing the Moorgate branch seems a high price to pay for operating 12 car trains, which may only be needed in the distant future. Similar works to lengthen the Kent platforms for 12 car trains, conceived in the booming 1980s but implemented in the early 1990s, are still only occasionally utilised.

At the time of writing, John Prescott was still struggling with the , 4 bn cost of the Channel Tunnel Rail Link, all to take 20 minutes off the journey from Paris to Kings Cross.

Transport planners struggle to demonstrate that the benefits of these schemes exceed even optimistic cost estimates. The short answer is that London does not need any large, new railway schemes. Big tunnels are very expensive, and most passengers will simply be diverted off the existing network. Although the tube is congested in the peak hours and in the central area, most trains most of the time are not crowded. It's hard to justify spending billions to solve problems that only last a few hours a day.

Of course, London Transport does have a capital renewals backlog, but it attracts neither steady funding or management. LT has been trying to resignal the Central Line for the better part of a decade. Bank station has been undergoing refurbishment since 1998, a full decade. My local station at East Finchley had a complete refurbishment four years ago, but the tiles are now falling off the walls again and the waiting room has been closed. Vandalism is blamed, but is this an acceptable excuse? London Transport's obsession with schemes like CrossRail, and obsession is the only word to describe it, is a bit like re-mortgaging a run-down house to build a conservatory.

Fix the leaking roof first, please.

LT has used private finance to lease a new fleet of trains for the Northern Line. The associated capital expenditure, probably in the order of , 600m, is rarely mentioned in LT's own publicity. Of course, the trains are not yet running, almost two years late. It's not clear whose fault this is, or who is paying.

#### 5. Investment - How to pay? Who to implement?

Privatisation must be the way forward to finance, develop and implement infrastructure improvements. In a democracy with elections every five years, politicians will never commit the necessary long-term funding for effective capital projects. Even where funding is available, the public sector will never be very good at implementing complex capital projects. Public sector managers have an impossible task, tied up in bureaucratic constraints and often given ambiguous or even conflicting political direction.

Freed of the constraints of public ownership, Railtrack is now bringing everything up to a modern standard. It is spending , 3 million per day, a phenomenal rate of spending. Indeed, the speed at which it is doing this is the cause of some considerable disruption to our train services in. When you have the builders in to make repairs, you can expect a bit of short term pain. Projects such as resignalling the West Coast Main Line will bring quite massive benefits to Britain, probably far more than CTRL, CrossRail, or Chelsea Hackney put together.

In London, we need to see comprehensive modernisation of the tube lines. They have been struggling with this for ten years. The main problem is not technological, but rather funding and management. LT has insisted on dozens of separate contracts for the Central Line modernisation and Jubilee extension, with disastrous results. Modern signalling, trains, and power supply technology is complex and need to be renewed as a single system.

Around the world, railway operators now award turnkey contracts for complete systems, and LT attempted to follow this approach on the Docklands Light Railway. Again, they got it wrong, and an expensive re-engineering was required to make all the junk they had bought, work together. We need to go beyond turnkey because, quite simply, LT cannot even write a technical specification. Franchising is a way of contracting out the technical specification process. Bidders will compete to offer the best package of services and improvements, at the lowest price.

Britain has actually led the world, by franchising the new light rail systems in Manchester, Birmingham and now Croydon. Concession contracts to operate each of the tube lines, including modernisation, must be the way to go. This approach has been followed successfully in Buenos Aires and Rio de Janeiro. Melbourne is now franchising its extensive suburban rail network in the same way. LT would merely specify the minimum service, leaving the franchise operator to determine the most efficient combination of investment and management.

What about system extensions? Well, besides the Jubilee Extension we have the Docklands extension to Lewisham already under construction. LT and BAA have together developed plans to extend the Piccadilly Line to Heathrow terminal 5. LT has obtained powers to extend the East London Line to Dalston, a worthy and, at under , 100m, very affordable scheme which however

has so far failed to attract sufficient political support. Another scheme, the so-called Croyley Link, is in much the same position. These schemes are not glamorous, but they do have the potential of actually happening. Again, the Jubilee Extension is a lesson in how not to do it. Better to award a concession that includes development of the extension.

## 6. Conclusion

Improving London's railways is not about drawing new lines on the map, or even extending old ones. There will be a bit of this, but mostly it is about making the network we already have work better. And this will not be achieved simply by spending more money. New management structures are required, to mobilise the forces of the market and all the technical skills of industry to provide London with the best transport system in the world.

## Biographical Note on Michael Schabas

Michael Schabas has advised clients on most major rail projects in London. He assisted the Canary Wharf developers in promoting the Jubilee Line extension and the upgrade to the DLR. He advised Newham Council and Union Railways on the Channel Tunnel Rail Link, proposing use of the St Pancras terminal. He reviewed the cost-effectiveness of the CrossRail scheme for the Department of Transport, leading to the demise of that project. With Prideaux & Associates, he prepared the London Airport Surface Access Study also for the DoT.

Mr Schabas has written extensively on urban transport. *Charging for Roads*, a paper proposing a new method of banded road use charging, has been published by the Centre for Policy Studies.

Mr Schabas is a founder director of GB Railways, which operates the Anglia franchise. GB Railways has recently ordered new trains worth £24m to double the frequency on the London-Norwich route. GB Railways is also part of the Great Southern Railway consortium which operates the Ghan, Indian Pacific and Overland trains in Australia. GB Railways shares trade on the Alternative Investment Market, the junior market of the London Stock Exchange.

Mr Schabas has also been involved in rail projects in Australia, Canada, Turkey and the USA.