



European Railway Circle Luncheon
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Speech given by Mr. James Evans, Secretary General of the
European Rail Infrastructure Managers (EIM)

THE CASE FOR SEPARATION OF INFRASTRUCTURE

Ladies and Gentlemen,

Sadly I was not able to be present at our last meeting of the European Railway Circle, when my good friend Benedikt (Beppo) Weibel spoke about Swiss Federal Railways - the "Railway Paradise". There is no doubt that the railways of Switzerland are the envy of most people and are appreciated by all who visit that lovely country, as I and my wife do both for skiing and for mountain walking every year. I have been doing this since 1947, so probably can claim a closer affection for Switzerland than most.

Benedikt argued, when he was here, for continued integration of both train operation and infrastructure, contrary to the line taken by the European Commission in its proposals for the shape of the rail industry in the future.

I have been asked to follow Benedikt's presentation with a presentation on the views of the separated Infrastructure Managers. I do this, not with a wish to drive a division between the Infrastructure Managers and the still-integrated railways, but to emphasize the different approaches of the two groups, yet still wishing that these groups continue to work closely together. The successes of the railways in the future will be attained by their close co-operation, not by fighting amongst themselves.

But what has happened? In December last year a number of already separated infrastructure companies decided to form their own lobby organisation here in Brussels - the European Rail Infrastructure Managers Association - EIM for short - as two distinct lines of thought and policy were emerging and the preceding representational structure of the railways here in Brussels was having difficulty in making a fair representation of the two groups possible.

Many have interpreted the creation of a separate group of Infrastructure Managers as a "schism" in the family of railways. I do not see it this way, nor do the members of our association. We see it as a logical alignment with that set out by the Commission in its evolving delineation of the rail transport sector for the future.



But who are our members? EIM represents the infrastructure companies of Finland, Sweden, Norway, Denmark, Holland, Great Britain, France, Spain and Portugal. Discussions with other future members are in hand. We have a small team here, at 21 rue de la Tourelle in Brussels, just two minutes walk from the offices of DG Tren, and only five minutes walk from the Parliament. You are all welcome to call on us.

And what do we believe in? Our members believe that separation of infrastructure brings advantages in efficiency, transparency, neutrality and competition, all key elements in the policies of the Commission in shaping Europe's future rail sector.

Let's take these one by one and take a close look at them.

1. *Efficiency:*

Nobody claims that efficiency is only available to separated infrastructure companies, as is evidenced by the clear (if special) situation of the US rail networks. But separation does allow the two activities of infrastructure management and train operation to concentrate on their core activities, matching supply of infrastructure and demand for it to the clear specification of the user. Specialist management of infrastructure provides a clear hierarchy of professional, technical and managerial skills aimed at obtaining the best infrastructure product to match the users' needs. In a separated network, any customer specification is made clear for the IM to fulfill. In an integrated system, the needs of prior operations (such as established passenger operational patterns) may be taken into account before entertaining new requests. New operators may feel that their requests are being "filtered" by an integrated operator whose motivation may be questioned. (I have personal experience of this myself, when, in a previous existence, I proposed the operation of block freight trains between the North Sea ports and Central Europe. One was never sure where the supplier's own interests were being protected to the disadvantage of the new operator). Separation imposes a discipline on the infrastructure manager to "lay out his wares" in his Network Statement, calling to the customer to clearly state his needs, improving quality and leading to greater, not lesser, co-operation.

Concentration of intellect and professionalism in the now clearly-defined sub-systems of work leads to a greater application of single-minded innovation to the different sectors, often in the past affected by the adoption of national priorities in the design and supply chains. Concentration on specific infrastructure activities leads also to economies in operation and supply.



2. *Transparency:*

Production of the Network Statement, as called for in the Second Railway Package, starts the "transparency ball" rolling. This document is very important, as from it stems everything that the Infrastructure Manager puts into the market place. What an IM has to offer is known, and **known to all**. Under the integrated system, the railways knew what they could do, but often only told their clients what they wanted them to hear. An atmosphere of limited trust used to exist, with the users feeling uncertain as to their value to the Railways and a vague feeling that their supplier was being "economical with the truth" regarding their dealings. This is probably sounding too dire, but few customers of the Railways really felt there was an easy, open relationship.

Separation focuses attention on individual elements of performance in a manner hard for the operators to frustrate or fudge performance issues. Early experience in the UK gave rise to a short-lived but negative "blame culture". It was always the other person's fault when things went wrong. But this quickly changed into a welcomed opportunity for operators to be able to pinpoint shortcomings as they discovered that, under separated management, the Railways were unable to fudge the true causes of underperformance and quality failure.

Transparency in charging is also a feature that the customer welcomes. In the past he was never sure what elements covered access, volume or traction costs, being given but a single price. The new arrangements will remove these doubts to the benefit of the customer and of crystal clarity.

3. *Neutrality:*

This is an issue which is much easier for separated Infrastructure Managers to profess, and one which is always difficult for integrated railways. Some still-integrated railways are governed by laws enforcing neutrality towards all customers but this is not the case everywhere. Further, even where provision for neutrality is made, it may not be fully interpreted as wished. There is considerable room for doubt and doubt expressed on the part of users as to how open the other systems in fact are. In the rough and ready debate about how



the European systems behave, let us put ourselves in the position of our customers and ask ourselves if we instill in them an instinctive assumption that our railways are open to examination and are crystal clear in their behaviour towards operators. The fact of infrastructure separation makes this process much cleaner, much healthier. I do not wish to give the impression that I doubt the motives of the big railways, (for heaven sakes, I have been a "cheminot" for just over 45 years!), but the very process of separation of infrastructure from train operation does clear the air and set objective processes in hand.

Consider the issues:- How can a shipper believe that an integrated operator will be totally objective about quoting him a price that will not be underquoted to the operator's own service? Would that be normal? How many shippers have fought to obtain traffic on rail only to have it poached by the railway itself? How many have suffered the experience of calling for a specification service, only to find that this (or something very close to it) has been placed on the market by the very supplier to whom they have to apply? Poaching takes place in all modes, but the separation of infrastructure makes this particular sin less likely and therefore acts in the shipper's interest.

4. *Competition:*

Separation of infrastructure is the key plank upon which the confidence to bring competition in the rail system can be built. Under the 'Neutrality' heading it was clear that no one wishing to compete with established national integrated operators can believe there is a fair playing ground.

Competition brings with it new relationships between players - third parties and national railways, third parties and third parties - and eventually competition between the national train operating companies themselves. None of the national TOCs have taken advantage of this opportunity, preferring to 'co-operate' in maintaining a closed market amongst themselves, not testing the benefits of open competition, a feature which EIM members regret, as they feel that the presence of choice to the shipper to be a fundamental spur to lower prices, improved efficiency, better timekeeping, enhanced quality and customer orientated attitudes. Under separated, neutral infrastructure management the chances of introduction of performance regimes **that can be trusted** have a better chance of success than on the integrated systems, where



the shippers will always ask if the integrated railway is being fair to them, or only to themselves. It is a fact that two of the three most developed performance regimes in existence are both on separated infrastructure systems. On a purely personal note, it has always been a disappointment to me that the national rail systems have chosen to "co-operate" rather than to compete in international rail traffic, either passenger or freight. The maintenance of a cosy club has done little to act as a spur to quality performance. I stress this is a "James Evans" view, but it is relevant to today's debate.

5. *Traffic growth:*

Has separation hindered or made easier traffic growth? A difficult question, probably best answered in the "non-negative" than in the "positive". In all the members systems of the EIM traffic growth since separation has been recorded, in some cases very significantly. In the UK growth of some 30% in passenger kilometers is matched and more so by growth of 48% or more in freight tonne kilometers. Similarly good results are recorded in Sweden, where separation of infrastructure has its longest record. Whilst integrated railways can also record growth, the separation of infrastructure from train operation does allow investors to plan their own futures in a way that was difficult in the past. In the UK, and again as a purely personal remark, I have never seen in my 45 years of railway service so much investment now in all the branches of railway life, unthinkable under the old regime. Since 1995 total UK investment has risen by 70% and over £3.5 billions worth of new train orders has been placed in this time.

6. *Safety:*

A last remark on the "unsayable", but often an issue raised by those opposed to separation. Does separation make safety more difficult to achieve? Rail safety is infinitely better than competing modes, a feature acknowledged by all serious observers. There is no evidence whatsoever that suggests that separated infrastructure makes the attainment of the highest standards of safety any harder. Indeed, the concentration on the specialisation of infrastructure management and the tests applied by Infrastructure managers to the operators who will use their tracks tends to introduce higher standards of operational safety than might otherwise have been the case. I could cite you cases where infrastructure managers have introduced new perspectives on safety to the traditional railways that perhaps would not otherwise have occurred. Be it known, however, that infrastructure managers put their safety obligations before all others, and require that train operating companies do the same.



7. In conclusion, amidst all the changes currently confronting the rail industry, the European Rail Infrastructure Managers take their obligations seriously and recognise the need to work closely with those systems which have remained integrated. There is no issue between us that prevents co-operation to achieving the aspired growth in market share, nor in relation to professional approach. We, that is the EIM members, feel that our structure reflects the shape of the rail industry in the future.