



# Business Plan

## 2012/13 – 2014/15

# ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

## Our mission

To champion the interests of passenger rail operators in serving customers and supporting a safe, reliable, attractive and prosperous railway

## Our vision

Rail as a thriving business sector which makes a growing positive contribution to national life

## Our ambition

To achieve excellence in representing the interests of, and providing business services for, passenger rail operators

## Our deliverables

Generating policy and technical solutions which support industry delivery of safe, reliable and attractive rail services

### For example:

- Work with RDG and industry partners to shape industry reform on franchising, regulation, incentives, rolling stock
- Support industry delivery on performance targets through National Task Force
- Manage TOC input to industry planning, projects and strategies
- Support delivery of stations-related improvements eg by joint management of NSIP

Managing systems and products to facilitate a retail environment which gives users choice, confidence and value in their buying decisions

### For example:

- Shape future fares & ticketing policy eg through input to DfT review
- Work with others to deliver TSA reform & manage South East Flexible Ticketing project
- Improve customer fares & ticketing information eg by modernising RSP systems
- Seek to grow revenue from collectively-managed products eg Railcards

Providing information about services and passenger rail that is accurate, useful and geared to the needs of customers and other stakeholders

### For example:

- Lead development of industry-wide customer information strategy
- Ongoing improvements in NRE customer service
- Achieve challenging communication metrics & stakeholder engagement plan
- Engage with transparency agenda re rail data and information

## Our organisation

### Budget

*Broadly neutral  
at c £46.6 million*

### Structure

*Responsive to  
change*

### Governance

*Joined-up  
and Board-led*

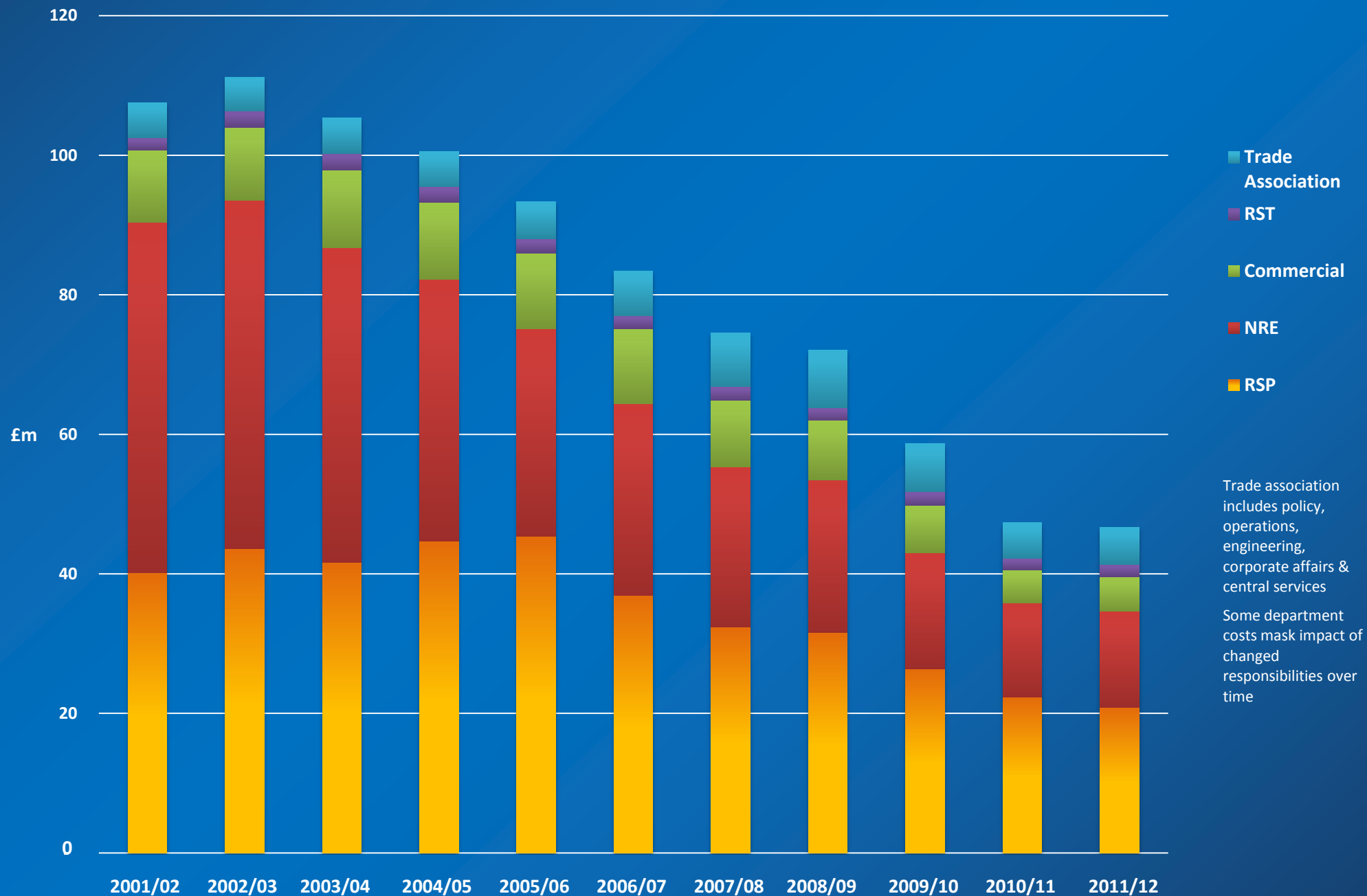
### Values

*Clear in shaping  
what we do*

# Introduction

1. ATOC has achieved much in the three years to March 2012 working with its members, government, other industry partners and stakeholders. Among other things, we have:
  - helped shape the future strategic development of the railway, by successfully arguing for the principles of reform in franchising and Network Rail (NR), and in contributing to the industry-wide initial plan of investment priorities for Control Period 5 (CP5)
  - led major developments in passenger information, such as enhancements to National Rail Enquiries (NRE), wider provision of services to TOCs and third parties, and improved industry approaches to dealing with passenger information during disruption
  - played a major role in implementing key developments in fares policy, such as the extension of Oyster PAYG to national rail services and delivery at short notice of a Government change in the RPI+x formula for the 2012 January fares change
  - led or been involved in a number of important initiatives related to stations, such as joint oversight of the £150 million National Stations Improvement Programme (NSIP, delivered in the main by TOCs) and launch of the *Stations Made Easy* tool
  - improved industry-wide arrangements, through the National Task Force (NTF), for monitoring and managing performance issues, and successfully co-ordinated TOC input to key projects such as development of train control systems eg Global System for Mobile Communication – Railway (GSMR) and European Rail Traffic Management System (ERTMS)
  - improved key IT-based systems, by moving to automated settlement, and upgrading the National Reservation Service and Assisted Passenger Reservation Service; and modernised Rail Staff Travel (RST)
  - successfully renegotiated key commercial arrangements for TOCs, for example, on commission rates and insurance for third party retailers, Metropolitan and City Police travel arrangements, the London Freedom Pass and 2012 Games travel in London
  - overseen initiatives to help TOCs grow revenue or contain cost, such as driving increased Railcard sales, growing revenue through the London 2-for-1 attractions campaign, creating a new Scheme to allow TOCs to manage their purchase of energy and successfully arguing for budgetary restraint by the Rail Safety and Standards Board (RSSB) and British Transport Police (BTP)
  - created a stronger 24/7 national press office for GB train operations, for example, by supporting activities across ATOC and by more effectively explaining via the media the factors lying behind fares rises
  - implemented a co-ordinated, focused approach to political/stakeholder engagement to promote franchise/industry reform, sustained investment in rail and other issues.

## ATOC outturn/budget (Apr 2011 prices)



2. All this has been done alongside continued reduction in our budget. We have also streamlined and strengthened our governance, and improved employee objective-setting so as to align everyone in ATOC more closely with our members' goals and interests.
3. These achievements have helped consolidate and enhance our members' confidence in ATOC's ability to support them where it makes sense to act collectively on issues. More importantly, they have also made a positive contribution to the frontline work of TOCs and other industry partners such as NR in improving passenger numbers, reliability and satisfaction, as well as containing industry costs; and to the work of industry partners, stakeholders and government in thinking ahead to the future of the railways.
4. Over the next three years, it is clear that there is much yet for GB rail to do at a time of major economic uncertainty. This three-year plan sets out how ATOC intends to add value through to March 2015 in the context of industry challenges such as the need to:
  - deliver better value for money, particularly through the work of the Rail Delivery Group (RDG): the Rail Value for Money study identified savings of up to £200m pa by 2014/15)
  - manage significant operational issues, such as delivering on performance by the end of CP4 (March 2014), managing the impacts of major projects on the running of services, and ensuring effective delivery of rail service during the London 2012 Olympics
  - respond to the expectations of the public and others about information provided by the industry (particularly during disruption) and on future fares and ticketing policies
  - follow through on industry reform, with franchises accounting for c 70% of the market to be let by July 2015, and on NR devolution
  - deal with potential other structural changes – eg in the future roles of ORR and DfT, the creation of a Rail Systems Agency (RSA) and greater localism in rail policy.



# Our mission, vision and ambition

5. Our mission is to champion the interests of passenger rail operators in serving customers and supporting a safe, reliable, attractive and prosperous railway. We do this through
  - trade association activity - influencing rail policy, acting as an advocate for rail in the media and with stakeholders, and promoting best practice; and
  - business service provision - running mission critical systems, such as settlement and National Rail Enquiries (NRE), and managing major commercial arrangements, such as Railcards and London & South-East contracts.
6. Our vision is one where rail is a thriving business sector which makes a growing positive contribution to national life. In *Planning Ahead 2010*, we set out jointly with our industry partners our aim to ensure rail promotes sustainable development, by working with others to deliver the following over the next 25 years:
  - continued improvement in passenger satisfaction levels to at least 90%
  - capacity to carry twice as many passengers as today, with reduced journey times and better connectivity between services and between modes
  - levels of reliability and safety that are among the best in Europe
  - greater financial sustainability, through improved efficiency and revenue generation
  - a move towards cutting rail carbon dioxide emissions by 50% in the longer term.
7. TOCs have a crucial role to play in delivering this vision. Our ambition is to enable them to do so by achieving excellence as a trade association for, and business service provider to, passenger rail operators. We intend to do that over the next three years by:
  - strengthening our work in representing TOC interests, eg
    - reinforcing the resources devoted to our work on policy
    - strengthening the stakeholder engagement work managed by corporate affairs
    - having in all our external material a consistent high-level narrative thread promoting TOCs, the rail industry and the role of the private sector in our industry
    - developing a more strategic dimension to the work of our operations and engineering teams
    - ongoing engagement with the RDG and its supporting groups.
  - enhancing our business services offering, eg
    - continuous improvement in reducing the costs of service provision and driving further revenue growth from business services and managed products
    - creating scope for TOCs to deliver significant customer improvements, eg through modernisation of Rail Settlement Plan (RSP) systems and developing a customer information strategy
    - developing a business services strategy in 2012/13 which more closely aligns the work and priorities of our different business service functions.



8. Our trade association and business services work will also increasingly reinforce each other. On the one hand, business service departments already actively shape some areas of policy; on the other hand, promoting our business services' successes in delivering customer improvements can help strengthen TOCs' reputation – and thus our ability to champion their interests in the policy and public debates about rail.



## Our deliverables in the next three years

9. Over the next three years, we will focus on championing our members' interests in delivering a better passenger rail experience more cost-efficiently. All parts of ATOC can contribute to this through our standard range of activities, taking on new projects and building further on recent moves to more cross-departmental working. We set out below our key planned deliverables in three areas where our trade association and business service activity can make a difference:
  - generating policy and technical solutions which support train companies and NR in providing better passenger rail services (mainly through Policy, Operations and Engineering, Commercial and Corporate Affairs)
  - managing systems and products which support our members in improving the retail environment for their customers (mainly through Commercial, RSP, NRE and RST)
  - providing information about services and passenger rail which better meets the needs of our members' customers and other key stakeholders (mainly through NRE and Corporate Affairs).

### Generating policy and technical solutions which support industry provision of better passenger rail services

10. We aim to support the work of the industry to improve value and deliver safe, reliable and attractive rail services by generating policy and technical (eg operational and engineering) solutions for industry players and government to adopt.
11. Success depends on many organisations playing their part, not just ATOC, and would be reflected in improved performance, a continued high overall National Passenger Survey (NPS) score, greater patronage and real progress to realising value for money. We plan to contribute to that by:
  - working with RDG and industry partners to shape and implement a reform agenda which stimulates innovation, improves quality and reduces unit costs:
    - helping shape the design of franchises to be let by July 2015
    - influencing the debate about the future roles of ORR and DfT
    - leading TOC input to PR13 to ensure the right incentive regime for TOCs/NR
    - promoting ATOC proposals to improve rolling stock value for money
    - supporting RDG in developing and promoting proposals to deliver value for money
    - monitoring, engaging and influencing EU developments
  - providing support for NTF to help industry-wide efforts to deliver on its Public Performance Measure (PPM) targets by the end of 2013/14, including a focus on TOC-specific areas through NTF-Operations Group in 2012/13 and leading Fleet Challenge through to 2013/14
  - helping shape industry planning and strategies eg
    - High Level Output Specification (HLOS) and Statement of Funds Available (SoFA) (2012/13)
    - Rail Technical Strategy (2012/13)



- Government proposals for high speed rail
- managing TOC input to key industry projects eg
  - developing TOC requirements for NR's Traffic Management Strategy and secure their adoption
  - helping deliver GSMR against deadlines and capture lessons for future projects
  - shaping delivery plan and commercial framework for ERTMS
  - RSSB T964 project (broadband mobile communications services provision)
- supporting delivery of stations-related improvements eg
  - joint management to enable TOC delivery of the £150 million NSIP programme by end CP4
  - implementing integrated transport initiatives, such as deploying cycle-rail funding in 2012/13 and beyond, and the station travel plans project (2012/13)
  - developing specific schemes mechanisms to enable TOC-led station improvements (eg fully repairing leases)
- delivering further improvements in the services provided to disabled passengers including full roll-out of the new passenger assistance programme (2012/13-2013/14)
- supporting TOC preparations for National Rail involvement in the 2012 Games
- managing other initiatives to help contain/reduce TOC costs eg
  - supporting TOCs' collective procurement of electricity through renewal of their electric current for traction (EC4T) contract in 2014
  - engaging with the BTP in setting its budget and priorities, and in the debate on reform of the Police Services Agreement (PSA)
  - helping TOCs prepare ahead of the next rail pension scheme valuation in 2013/14
- supporting the above by seeking to promote the appropriate regulatory and political environment through stakeholder engagement.

### **Managing systems and products which support our members in improving the retail environment for their customers**

12. We aim to facilitate cost-effective industry delivery of a retail environment which supports our members in giving users choice, confidence and value in their buying decisions, by managing key industry-wide systems and products, as well as developing policy proposals.
13. Success depends on many organisations playing their part, not just ATOC, and would be reflected in improved customer perception and real progress towards reducing the annual £400 million cost of retail to the industry. We plan to contribute to that by:
  - shaping future fares and ticketing policy which better meets customer and stakeholder needs, independently and through input to DfT fares/ticketing review (2012/13)

- working with RDG, DfT and others to secure reform of the Ticketing and Settlement Agreement (TSA) through a new Regulatory Agreement on Fares and Ticketing (RAFT) as part of wider changes to improve the retail experience (2012/13)
- managing development and roll-out of the DfT's £45 million South-East Flexible Ticketing (SEFT) project (2012/13 onwards): benefits include new flexible products to enable better demand management
- managing extension of smart ticketing in London to EMV (Europay, Mastercard and Visa) card "wave and pay" technology (2013/14 onwards) and reviewing/re-negotiating London commercial agreements (Metropolitan and City Police in 2013/14 and Freedom Pass in 2014/15)
- modernising the RSP services portfolio to serve better an online, web-enabled world and reduce cost, including contract replacement for the fares service (2013/14) which will improve fares information quality for customers, contract replacement for the Rail Journey Information System (RJIS) in 2012/13, and seeking to reduce the cost of changes to ticket issuing systems (TIS) by streamlining processes
- completing the current programme of improvements to fares and ticketing, including re-design of CCST (Credit Card Sized Ticket) formats to provide clearer and better information to customers; support for TOC-managed improvements to ticket vending machines (2012/13); and continuing to identify and implement further improvements
- seeking to grow revenue from collectively-managed products through innovation and development in line with passenger needs eg complete the Two Together Railcard trial (2012/13); review Railcard product formulations (2013/14); migrate 50% of Railcard sales online (2014/15); complete the business case for automated Railcard validation (2012/13); and evaluate national extension of the 2-for-1 attractions programme (2012/13)
- managing third party retail channels to drive new revenue; completing the trial of new international retail licences; reviewing the Britrail Pass (2013/14); and evaluating cross-Channel market opportunities (2013/14 onwards)
- maintain cost-efficiency improvements in, and modernisation of, providing Rail Staff Travel (2012/13).

## **Providing information about services and passenger rail which better meets customers' and stakeholders' needs**

14. We aim to provide information about services and passenger rail that is accurate, useful and geared to the needs of customers (primarily through NRE's services direct to customers and indirectly through TOCs and third parties) and other stakeholders (primarily led by the work of our Corporate Affairs team).
15. Success depends on many organisations playing their part, not just ATOC, but would be reflected in generated passenger rail journeys, improved customer perception (especially re information at times of disruption) and improved public trust in rail. We plan to contribute to that by:
  - NRE-led development of an industry-wide customer information strategy (2012/13), supported by appropriate funding in HLOS/SoFA and a subsequent implementation plan through to the end of 2014/15 and beyond

- delivering the Passenger Information During Disruption (PIDD) Programme, overseen by NTF, which will provide the building blocks for TOCs and NR Routes to introduce changes that will improve customers' perceptions of the industry when train services are disrupted
- ongoing improvements in NRE customer service which grow passenger journeys through meeting emerging customer needs (eg the demand for information to be given pro-actively whenever the customer needs it) and providing the most comprehensive range of quality information across all channels
- improved understanding of the needs of NRE's estimated 16 million customers through research to inform further developments in providing customer information through NRE and other players
- NRE marketing and business development strategies to increase brand loyalty and customer base, increase hand-off rates and values from sales leads, and reduce net costs of NRE to TOCs
- developing the ATOC national press office for GB train operations to achieve challenging annual targets on the effectiveness with which we communicate key messages
- monitoring a suite of industry, TOC and ATOC indicators of perception about rail to assess and enhance the impact of initiatives/projects managed by ATOC
- devising and implementing a three-year stakeholder engagement strategy, including carrying out a stakeholder perceptions audit and developing a programme of activities
- active engagement with government and key stakeholders to demonstrate how train companies are embracing the transparency agenda relating to open data issues and statistical information about rail.

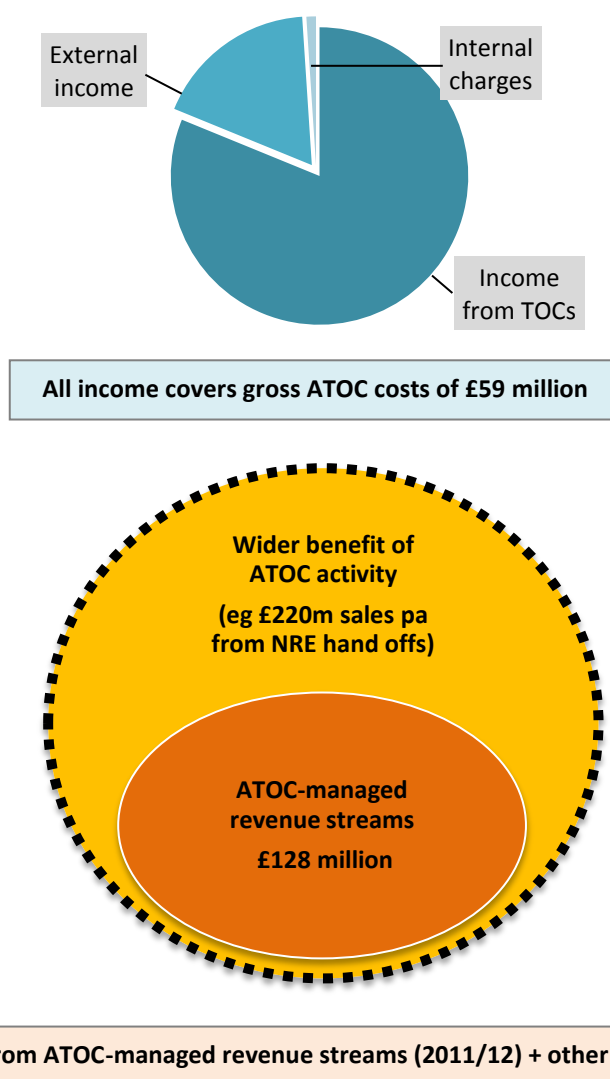
Departures 1				Departures 2			
Due	Destination	Plat	Expected	Due	Destination	Plat	Expected
12:27	Newcastle	15B	On time	13:02	Ilkley	2C	On time
12:29	Poppleton	1C	On time	13:04	Knottingley	17A	On time
12:32	Ilkley	3B	On time	13:05	London KX	8	On time
12:34	Sheffield	17B	On time	13:05	Edinburgh	9D	On time
12:37	Manchester Vic.	12D	On time	13:08	Manchester Vic.	12D	On time
12:38	Hull	15B	On time	13:08	Liverpool Lime St.	16A	On time
12:40	Bradford F. Sq.	2C	On time	13:10	Bradford F. Sq.	3B	On time
12:40	London KX	6	On time	13:10	Plymouth	11A	On time
12:40	Manchester Pic.	16A	On time	13:12	Scarborough	15B	On time
12:41	York	9D	On time	13:15	Selby	9D	On time
12:43	Huddersfield	13A	On time	13:16	Sheffield	17B	On time
12:48	Sheffield	10B	On time	13:19	Doncaster	12A	On time
12:49	Carlisle	5C	On time	13:22	Brighouse	12C	On time
12:51	Blackpool North	12C	On time	13:25	Manchester Air.	16A	On time
12:55	Middlesbrough	15B	On time	13:26	Skipton	4B	On time
12:55	Manchester Air.	16A	On time	13:27	Newcastle	15B	On time
12:56	Skipton	4B	On time				
12:59	Knaresborough	1C	On time				

# Our organisation

## Budget

16. Our budget represents the net cost of running ATOC activities (£46.6 million in 2011/12). Its current size reflects our efforts over recent years to reduce the cost of activities run by ATOC, as well as securing more external income (eg from NRE advertising, travel agent refunds, associate membership and non-TOC contributors to RSP) – this now accounts for c 20% of gross cost, which was £59 million in 2011/12.
17. ATOC's resources not only enable the organisation to manage essential services increasingly cost-effectively for TOCs, but they also enable us to administer a number of TOC income streams. The four largest of these are the marketing and sales of Railcards, together with the Metropolitan and City Police and Freedom Pass deals, managed by Commercial, worth £73m, £20m and £18m respectively; and Staff and Duty Travel managed by RST, worth £16m. Other activities run by ATOC have a significantly wider benefit for our members, such as the savings arising from enabling collective procurement of energy or the estimated value of completed sales arising from ticket inquiries to NRE which are then handed off to TOCs or other retailers.

### ATOC income, managed revenue streams and wider benefits



18. Within this three-year plan, we anticipate that significant growth in our current sources of external income is likely to be difficult and that while further cost-efficiencies may be possible, their scope is likely to be more limited than in recent years following a real terms reduction in the ATOC budget in excess of 50% in the last decade.
19. This plan is therefore based on the following:
- a broadly neutral budget of approximately £46.6 million for each of the three years to 2014/15, by seeking to achieve cost-efficiencies (including business service contract renewals, measures to improve the affordability of pension provision for our employees and seeking opportunities from the break clause in our property lease in 2013/14) which help offset inflation and provide headroom to redeploy resources to priority activities (particularly in trade association-type work) for members
  - flexibility to consider taking on new activities with the approval of ATOC Board which, if they mean an addition to gross ATOC costs, either are justified on the basis of clear and material overall financial value to TOCs (for example, by making possible major savings in train companies' total cost base) or can be funded by non-TOC sources of income
  - a review in 2012/13 of potential new models for funding and financing activities currently run by ATOC including:
    - making more extensive use of our RSP-linked loan facility. The current agreement ends in 2013 and we have the opportunity to renew it, albeit probably on a shorter-term basis than the present arrangement
    - charging for ATOC-provided services through commission paid by members (and commercially exploiting the value of our services to third parties) based on delivering unit cost efficiencies and rates of return to fund ongoing investment, agreed with our members
    - divesting current assets, so enabling ATOC to hold any sale proceeds on behalf of all its members and to use the interest generated as an income stream to fund the running of worthwhile activities on their behalf.

## Structure

20. The plan assumes that, apart from some strengthening of the policy and corporate affairs teams, the structure of the organisation will remain broadly as it has been in 2011/12. However, over the three years we will regularly review the scope to improve synergies and reduce any overlap between departments; and there will be a need to be flexible to events which could result in either additions or reductions of staff, for example, in response to RDG-related developments, any creation of an RSA, award of responsibility to ATOC by DfT for its proposed SEFT project or changes to NRE.

## Governance

21. In recent years, ATOC has streamlined and strengthened its own governance by reducing the number of standing group meetings and improving the links between ATOC Board and the Boards/Councils of individual Schemes. We will strengthen further the lead which ATOC Board can give to the organisation as a whole without formally altering Scheme mandates by



- implementing recommendations made following a recent review by ATOC Board of its effectiveness (eg in planning the Board's forward programme of activity)
  - better synchronising and co-ordinating the annual work programmes of the Board and key Schemes where possible, and greater sharing of information (eg CEO report) between ATOC Board and Scheme Boards/Councils
  - developing a comprehensive, accurate and interactive database of the membership of all ATOC member groups.
22. ATOC staff and/or its members have also been increasingly involved in the governance of industry wide funds/initiatives (eg NSIP, Fleet Challenge and the DfT Commercial Fund). We expect this to continue and potentially extend into new areas during this three-year plan (eg on customer information). We will also need to engage in and be responsive to the outcome of the review initiated by RDG in 2011/12 into the number of and relationship between the wide range of existing industry groups and bodies.

## Values

23. ATOC has long relied on the professionalism, dedication and hard work of its staff in working for its members. In recent years, the organisation has focused on strengthening its approach to objective-setting and performance appraisal in order to keep on improving and meeting the expectations of its members.
24. We will continue this over the next three years. We will encourage ownership of an explicit set of corporate values (see box) across all parts of the organisation (eg through the objective-setting and performance appraisal process), to help sustain the motivation of our employees and support our growing focus during this business plan in supporting the rail industry's value agenda.

### ATOC corporate values

- **We are dedicated to excellence**, through a commitment to continuous improvement in what we do and how we communicate.
- **We work in an open and fair way** with our members, suppliers and stakeholders. We can be trusted to deliver on our promises, and will be judged by our record.
- **We value innovation and leadership**, sharing the breadth of expertise we have in our organisation to deliver the best result, combining experience and new ideas.
- **We empower individuals and teams** to make decisions in a constructive and stimulating environment, inspiring confidence to develop and rewarding achievement.

[www.atoc.org](http://www.atoc.org)





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