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(1)

Room
Eland House

05 July 2001

PS / John Spellar

cc: PS / David Jamieson
PS / Sir Richard Mottram
David Rowlands
Bob Linnard
Alun Evans
Dan Corry
Jo Moore
PU DH

MEETING WITH JOHN ROBINSON

Your Minister was present on 27 June when the Secretary of State met John Robinson, Chairman of Railtrack. Richard Mottram, David Rowlands and Dan Corry were also present.

2. The Secretary of State invited John Robinson to set out his initial views on the challenges facing the industry and his role as the new Railtrack Chairman in tackling them. Robinson said the situation was worse than he had expected, but recoverable. His priority was to get the rail infrastructure working properly; at present he was focussed on Railtrack's short-term financial position and a review of company management.
3. Robinson said Railtrack would need to raise money in the markets in the autumn. This would be an impossible challenge if others in the industry continued to undermine the company through the media. In particular, relations with the Regulator were very poor.
4. Continuing, Robinson said the Regulator's assumptions in Control Period 2 were unworkable. In his view the Hatfield reopener was really an opportunity to reassess the assumptions underpinning rail funding more generally.
5. Robinson said the way Railtrack was privatised was flawed, but the current structure needed to be made to work better. There were alternative models being

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debated at present – such as regional integration - but taking forward structural change would be disruptive.

6. The Secretary of State said that for better or worse the current structure was likely to be in place for some time. While Government would await Part 2 of Cullen, he had no plans for major structural reforms. It was essential, therefore to get Railtrack focussed on the day job of maintenance and renewals to make the existing structure deliver results.
7. John Spellar asked whether, following the loss since privatisation of experienced engineering staff, the collective memory still existed within Railtrack to carry out essential maintenance properly. John Robinson said the situation could be recovered but the company had very large training needs.
8. Richard Mottram said it was important for Railtrack to build a better relationship with the TOCs. The Regulator had made clear he thought enforcement, rather than a cooperative approach, was the only way to get Railtrack to deliver. If Railtrack was also to improve relations with the Regulator, it was essential for it to manage its relationship with its most important customers more effectively. David Rowlands said that Railtrack should also talk to franchise owners.
9. Robinson said Railtrack had too often walked away from its own strategic responsibilities, expecting the SRA to play this role. He wanted to take lead responsibility for this in future, to get across the message that the Railtrack Chairman had the main responsibility for delivery. The Secretary of State welcomed this.
10. The Secretary of State said he believed the industry could be turned round. He stressed that John Robinson had an open line to him and the department.

Private Secretary