House of Commons
Transport Committee

Government Response to the Committee's Fourth Report: Railways in the North of England

Second Special Report of Session 2002–03

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The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Transport and its associated public bodies.

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Second Special Report

The Transport Committee reported to the House on Railways in the North of England in its Fourth Report of Session 2002-03, published on 19 June 2003 as HC 782-I. The Government Response to that Report was received on 13 October 2003 in the form of a memorandum to the Committee. It is reproduced as an Appendix to this Special Report.

Appendix

INTRODUCTION

The Government welcomes the Committee's report on railways in the North of England, which provides a valuable snapshot of the industry and provides a good measure of the progress that has been made.

The Government established the Strategic Rail Authority (SRA) to address the lack of strategic planning in the industry and it is now providing the strong leadership needed. Investment in rail is at its highest ever levels.

Since the Committee took evidence the SRA has produced its revised Strategic Plan, its new franchising policy statement, its Capacity and Network Utilisation Strategies, and the final West Coast Main Line Strategy. It has concluded its fares review and is currently considering consultation responses to its Rolling Stock Strategy. The SRA has also published its Specification of Network Outputs, which it will input into the Rail Regulator’s Interim Review.

The franchising programme is now back on track. Recent franchise announcements include a new eight-year TransPennine Express franchise. In addition the SRA is currently evaluating bids submitted by the four pre-qualified parties for the new Northern Rail franchise.

Network Rail is now in place and is getting a grip on the legacy it inherited from Railtrack. Its recently updated Business Plan identifies the need for the company to achieve tighter control over the quality, cost and effectiveness of its maintenance regime and work is underway to address this.

There is still much to do to deliver the railway system that the public and industry needs and deserves. But significant progress is being made.

In the following paragraphs we set out the Committee’s recommendations and the Government’s response to each of them.

RESPONSE TO RECOMMENDATIONS

1. A healthy rail infrastructure not only reduces the disadvantages of those without a car, but has the potential to deliver other Government objectives, such as a reduction in pollution. (Paragraph 14)
The Government agrees that the railways play an important role in delivering a number of its objectives. The SRA’s statutory remit includes a requirement to exercise its functions in the way best calculated to contribute to the achievement of sustainable development.

The Government’s Directions and Guidance to the SRA (D&G) envisage that the railway will contribute to meeting the targets of reduced road congestion, improved air quality and reduced greenhouse gas emissions as set out in the Transport 10 Year Plan. The D&G state that the SRA "should accordingly ensure that its strategies, its investments (including in passenger franchises) and other expenditures, and its other activities have regard to their economic, social and environmental impacts."

2. Since the Sub-committee took evidence last June, the SRA’s investment plans have been curtailed. The new priority is to improve the industry's productivity which has fallen rapidly. Indeed, the rising costs of improvement to the rail infrastructure were drawn to our attention by many of our witnesses. No one could disagree that the rail industry's cost base needs to be brought under control. (Paragraph 16)

The Government has set aside £33bn of public monies for the railways over the life of the 10 Year Plan. By 2005 twice as much money will be spent on rail as in 2001.

The Government agrees that cost escalation in the rail industry has become a major problem. The industry needs to work to get costs under control and drive them down. This work under the leadership of the SRA has already begun. The SRA’s Strategic Plan contains an analysis of its budgetary position and details the steps the SRA is taking to address the problem of escalating costs. The entire rail industry must embrace change and tackle real challenges if it is to deliver what passengers and freight users demand with the funding available.

The Rail Regulator's Interim Review of Track Access Charges also has a key role to play in helping reduce costs of operating, maintaining and renewing the rail network. In the third consultation paper for the Interim Review published on 24 July 2003, the Regulator identified potential efficiency savings of around 30% in Network Rail's operations, maintenance and renewals (OMR) costs compared to those set out in Network Rail's business plan of March 2003. A further £1bn saving from reducing the amount of work undertaken by NR was also identified. These savings have been identified by a number of studies jointly commissioned by the Regulator, SRA and Network Rail, a good example of key industry players working together to address this problem.

The Regulator's draft conclusions on the Interim Review are to be published in October, with final conclusions in December.

3. The Government has rightly set itself targets for transport which address wider issues than simply moving people from A to B. There appears to be a real danger that the SRA’s current targets encourage investment in areas which are already well served, or on long distance routes, rather than where investment may most benefit the wider community. (Paragraph 19)

The Government’s original 10 Year Plan targets for rail are currently under review as part of the wider review of the 10 Year Plan. The outcome will help determine future priorities for investment.
At present the Government’s first priority is to improve rail performance. If we are to deliver a railway that customers both want and deserve, more trains must run on time and service quality must improve. Reliability is improving but the rate of improvement is slow. In addition, performance across the country is patchy with some train operators performing better than others. The Government welcomes the improvements that have already been delivered but would like to see that rate of improvement accelerated. Perhaps more importantly we would like to see those improvements more broadly based.

Revenue support for rail is already heavily focused on services outside London and the South East. In 2002/03 regional services received 11.4p subsidy per passenger kilometre, compared to 2.8p for intercity services and 0.4p for London and the South East commuter routes. During the same period the three regional franchises serving the North of England received subsidy levels higher than the average for their sector. Arriva Trains Merseyside1, Arriva Trains Northern and First North Western received 23p, 15p and 23p subsidy per passenger kilometre respectively.

4. The Department should ensure that the railway network sustains the Government’s policies on economic regeneration. Our colleagues on the ODPM Committee have repeatedly expressed concern about the difficulty of ensuring that transport is taken properly into account in regional or local strategies; we share their concern. (Paragraph 29)

5. Central Government should have clear criteria for considering funding rail infrastructure improvements which offer social, economic or environmental benefits or, at the very least, assisting local authorities to do so. (Paragraph 36)

Transport policies can make an important contribution to meeting Government priorities such as tackling crime; protecting the environment; and fostering social inclusion, sustaining communities, and supporting local economic growth and regeneration. We agree that such contributions should be properly taken into account by transport strategies and appraisals. We have established a clear and comprehensive transport appraisal process for this purpose. It is our intention that this appraisal process should be applied in a consistent manner for each mode of transport and in each region of the country.

The D&G require the SRA to “take into account any relevant Government policies insofar as they affect, or may be affected by, the fulfilment of its objectives… Many aspects of the Authority’s work will have particular local or regional impact. … In formulating its strategies and carrying out its functions it should work closely with the local and regional planning bodies, local authorities and the Government Offices, and should have particular regard, where relevant, to local transport plans”.

The SRA’s Strategic Plan recognises the important role of regional and local stakeholders in the development of the railway network and acknowledges that better links need to be formed between national and regional planning for the railways. A new, dedicated regional team has been established within the SRA for this purpose.

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1 On 20 July 2003 management responsibility for the Merseyrail franchise was transferred from the SRA to Merseyside Passenger Transport Executive operating as a local concession.
In April the SRA published updated guidance, "Appraisal Criteria", on the approach it uses to assess the case for rail policies, projects and expenditure. It replaced guidance inherited from the Office of Passenger Rail Franchising (OPRAF), on the appraisal of support for passenger rail services and extended its coverage to include rail freight. It provides a more transparent and consistent approach to appraising rail passenger and freight proposals. Appraisal Criteria is also used by external agencies (for example local authorities) who might wish to propose investments in rail. The new guidance reflects advice on appraisal recently issued by central Government, including a requirement for sponsors to complete an Economic Impact Report where it is expected that a project will have a clear impact on regeneration areas.

In addition to the new appraisal guidance the SRA, with Network Rail and the Association of Transport Co-ordinating Officers, has published a guide “Rail Partnerships – A Best Practice Guide to Development and Delivery” aimed at helping local authorities and others to develop value-for-money proposals. This document, which complements the appraisal guidance, is targeted at groups wishing to pursue funding through the SRA's Rail Passenger Partnership (RPP) grant scheme.

RPP funding is designed to assist in the provision of new or enhanced local and regional rail services or facilities. RPP proposals must contribute to the Government’s objectives of promoting transport integration and encouraging a switch from road to rail. RPP bidding guidance is available on the SRA’s website.

The SRA has had to suspend the consideration of new applications under its RPP programme due to budget constraints. All contracted schemes will be honoured. The SRA will review pre-qualified schemes on a case by case basis and some may be able to be progressed. It is not yet clear when it will be possible to re-open the scheme to new applications.

6. The Strategic Rail Authority is to be commended for its intervention in the West Coast Line Upgrade; it is precisely this strategic view which was lacking in the past and which the SRA should provide. (Paragraph 40)

The Government agrees. The SRA’s revised strategy shows how, working with the industry, it plans to get a grip on this project, which previously had suffered from serious difficulties and lack of leadership.

7. We consider that average speeds are a transparent and useful indicator of performance, particularly where there is evidence of failing services. We recommend that the SRA takes steps to collect and publish such information in the future. (Paragraph 42)

The Government considers that performance is best measured by reliability and punctuality. Average speeds can be misleading in terms of performance. They do not take into account key issues such as the geography of the UK and the rail network, the speed and the gradient profiles of particular routes and, most critically, stopping patterns. Journey times are monitored by Network Rail and are dependent on route capability. Performance based on specified and published journey times is easily measurable by passengers and the industry.
8. Whereas previously, projects such as the South Manchester hub were identified as priorities, their future is now uncertain. Major projects appear to be demoted with little or no justification. This is wrong. It also makes the task of planning integrated transport strategies difficult for the Local Authorities. The SRA needs to provide certainty and to make a case for funding from Government for such important projects. The outcome of the 2004 Spending Review will be critical for the future size and quality of the regional rail networks. (Paragraph 49)

The SRA’s priority is to maintain the safety of the current rail infrastructure and to improve its efficiency and performance for passengers. The SRA has had to make some hard decisions on what it can now deliver in the light of cost increases. The Strategic Plan explains how the SRA has reviewed its programme of major projects with a view to de-scoping and/or deferring them - in some cases because of previous overspecification rather than cost alone.

The future level of provision for rail will be considered as part of the 2004 Spending Review. The outcome of the review will be announced next summer.

9. Major timetable changes should not be announced without consultation with the local bodies affected. If the SRA will not consult willingly, it should be made compulsory for it to do so. (Paragraph 56)

The Government agrees that consultation with key stakeholders is very important in the decision making process. There is no specific requirement on the SRA to consult over timetable changes. Under the D&G, however, "Even where there is no specific obligation to consult, the Secretary of State expects there to be the appropriate level of consultation with persons likely to be affected by the actions."

In the instance to which the Committee refers, urgent action was required to secure improved performance for passengers. Changes to the May and September 2003 timetables will ensure that performance is improved this year rather than delaying until next year. The SRA would have liked to have had time to develop options and consult on changes in the normal way but on this occasion they did not consider it to be possible.

10. The most recent strategic plan promises better links between national and regional planning, which is intended to contribute to the Government’s social inclusion objectives and which will draw on the multi-modal studies. However, it is notable that rather than working separately with particular regions, the SRA will handle these links through a single dedicated team. That may provide improvements, but there must be a danger that the regions will continue to believe the SRA does not properly understand local conditions and aspirations. In the North of England at least, the SRA has forfeited the confidence of the very groups that should have been its partners: it will take more than warm words from the Chairman to put this right. (Paragraph 57)

The Government agrees that there is an important link between regional land-use planning and transport provision. As detailed in response to recommendation 4, the SRA recognises that better links need to be formed between national and regional planning for the railways.
The SRA’s new regional planning team will encourage regional and local stakeholders to identify their strategic objectives for rail. Objectives that meet local aspirations, and are consistent with national needs, will then be jointly identified and prioritised - taking into account issues such as affordability, value for money and deliverability.

Under section 34 of the Railways Act 1993, the SRA is required to ensure that the terms of a new or replacement franchise provide for matters specified in a statement by a Passenger Transport Executive (PTE) whose area is served by the franchise. To this end the D&G state that the SRA "should maintain effective working relations with Passenger Transport Authorities and Executives in respect of the management of franchises to which they are parties…"

The SRA’s strategy is to engage with local and regional stakeholders, and the PTEs in particular, to review options for the specification and development of local and regional services. It strongly encouraged bidders for the Northern Rail franchise to consult with relevant stakeholders, including PTEs, the Rail Passengers Council and Committees, local authorities, Regional Development Agencies and regional planning bodies when developing their bids.

11. It is entirely unacceptable that passengers should have been given a weekend’s notice of passenger service changes which had been foreseen for over a month. (Paragraph 66)

The Government agrees that the maximum possible notice should be given of service changes. In the instance to which the Committee’s Report refers, the SRA believed that it was preferable to agree that a number of Arriva Trains Northern (ATN) services be replaced by buses than have passengers face the uncertainty caused by ad hoc cancellations.

Passengers had suffered unplanned, ongoing cancellations as a result of driver shortage in ATN. ATN approached the SRA and the PTEs, as specifier and contractual parties, and proposed a planned reduced timetable to give passengers some certainty until the driver position could be recovered. In emergency situations such as this train operators are not under any obligation to consult local authorities or passenger bodies. However, on this particular occasion, because of the substantial number of reduced services the SRA suggested to ATN that they should consult as much as possible.

The SRA and PTEs worked closely together in order to deliver the best and most balanced solution for passengers, particularly given the complexity of the network and the mixed fleet involved. The SRA considered the suitability of providing bus replacement services with the ensuing journey times on each route and balanced that against the need to provide sufficient capacity on key routes and the delivery of rail services where the majority of passengers wanted to go. The PTEs approved the revised timetable following discussions with local authorities.

The initial draft timetable was first proposed on 25 September 2001. The detail was considered, revised in its detail, approved and introduced on 29 October 2001. The common aim was to get the revised timetable introduced as soon as practical.
The SRA imposed a penalty of £2million and an order requiring additional drivers to be recruited on ATN last year as a result of its poor performance in 2001. The shortage of drivers has now been overcome by ATN.

12. *We welcome the Government’s lead in establishing a framework of skills for the rail industry; the industry itself must now take responsibility for ensuring it has the trained workforce it needs.* (Paragraph 68)

Several initiatives are in place to address the skills shortage. The SRA has established the Rail Skills Board comprising leading players from industry to steer three particular workstreams:

- The development of proposals for a National Rail Academy (NRA): In July this year, the NRA came into being. It has been renamed the Centre for Rail Skills (CFRS) as its former title gave rise to expectations of a central campus which would itself provide much of the training. The CFRS will encourage, develop and co-ordinate training but with courses themselves being provided at a variety of locations around the country. The CFRS formally assumed the role of the Rail Industry Training Council on 1 July 2003.

- Development of a bid for the CFRS to be the Rail Sector Skills Council: The SRA and the CFRS have been working towards the establishment of a Rail Sector Skills Council. The SRA and partners believe that the rail business is sufficiently specialised to merit its own sector skills council (SSC) even though the Department for Education and Skills and the Sector Skills Development Agency (SSDA) normally expect an SSC to have a ‘footprint’ of 500,000 people. The SRA & CFRS have submitted an ‘Expression of Interest’ to the SSDA for a rail SSC.

- Steering continuing work on the Framework for Skills initiative.

13. *There are several lessons to be drawn from this episode:*

a) the SRA needs to take a much clearer view of the network capacity before approving timetable changes.

b) when high quality, frequent, trains are provided overall passenger use grows. This suggests that there may be ways to cut subsidies while improving the service.

c) the increased demand is for regular short to medium journeys, rather than long distance ones. The Government’s target for increasing passenger kilometerage must not be an excuse to provide a service which does not meet customer needs. (Paragraph 74)

Virgin CrossCountry’s ‘Operation Princess’ timetable - the instance to which the Committee’s Report refers - which commenced in Winter 2002/03 doubled CrossCountry service frequencies. The new timetable proved to be unworkable, causing overcrowding, late trains and excessive cancellations on CrossCountry routes, with delays having a ‘knock-on’ effect on performance across the network.
The SRA acted, with Virgin, to address this problem by scaling back some of the new services to more peripheral destinations in order to free up rolling stock to increase the length of trains on the overcrowded routes.

Performance benefits arise from service changes in two ways: by reducing the number of movements of conflicting services across, and for short distances on, main lines; and by increasing turn-round times at destination stations so that trains are more likely to leave promptly and stay on time throughout their journey.

Some longer distance Virgin CrossCountry services have been replaced by other train operators as shorter distance inter-regional ‘shuttles’. An example of this is the new hourly fast Central Trains service between Liverpool and Birmingham. This will mean a more reliable service with fewer delays and with ‘clockface’ departures.

The SRA is looking at service patterns more generally as part of its Capacity Utilisation Strategy. This will aim to improve performance and reduce overcrowding, by making best use of the network. This focuses on making the best use of the existing network, rather than waiting for new rolling stock or major investments before changes can be made. The SRA expects it will lead to more punctual trains and improved operational performance in the short to medium term by improvements to operating practices, better deployment of rolling stock and alterations to timetables.

As part of this work the SRA has recently published its Network Utilisation Strategy. This strategy considers how to make best use of the most congested parts of the network, such as main lines, and paves the way for more detailed strategies for particular routes. As the first of the more detailed strategies, the Midland Main Line Route Utilisation Strategy was published in draft in June.

14. We understand that letting franchises can be a lengthy business, and that timetables may not be precise. It is better to change a bad policy than to keep it simply to avoid disruption. However, the SRA has spent two years longer than originally envisaged to let these franchises, and the process is still incomplete. The SRA, quite rightly, wishes the industry to have clear targets, and to be penalised for failing to meet those targets. It must set an example by itself being clear about its own processes, and performing the tasks it sets itself in the timescales it predicts. (Paragraph 76)

The SRA’s new franchising policy aims to align the needs of passengers with the interests of train operators. New franchises will include quantified performance indicators to achieve improvements in reliability, cleanliness of trains and stations, better information systems and other improvements, with train companies being paid by results. In addition the new style of agreement will make it easier for the SRA to secure a managed handover of a franchise if an operator is performing poorly.

Franchise bids will be invited against a clear specification of core outputs, with the SRA being more prescriptive about the services that franchisees operate to enable improvements in performance and capacity across the network. New agreements will also include mechanisms to encourage investment with a longer pay back than the franchise term, such as new rolling stock.
Progress has been made in relation to the letting of the new TransPennine Express (TPE) and Northern Rail franchises to which the Committee’s recommendation refers.

The TPE franchise competition was too far advanced for it to be restarted in line with the new franchising policy. The SRA has recently announced First Group Keolis, a consortium of First Group plc and Keolis SA, as the preferred bidder for the new TPE franchise. The franchise, which is expected to commence early in 2004, aims to provide more frequent, faster and higher quality longer-distance passenger rail services between major towns and cities across the North of England.

Key benefits of the new franchise include: the introduction of a new fleet of high performance trains during 2006/07; early investment in station improvements including the installation of new, real time information systems, security cameras, help points, upgraded waiting areas and ticket issuing facilities; and improvements in transport integration between rail and buses, trams and airlines through the provision of better information, integrated fares and marketing initiatives and more convenient connections.

The competition for the new Northern Rail franchise was restarted by the SRA in order to incorporate the benefits of the new franchising policy. The franchise, which is expected to start in autumn 2004, will focus on local and regional services across the North of England. As detailed in answer to recommendation 10, the SRA strongly encouraged bidders for the Northern Rail franchise to consult with relevant local stakeholders when developing their bids. The SRA is currently evaluating the bids submitted by the four pre-qualified parties.

Department for Transport
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