



House of Commons  
Transport Committee

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**Rail 2020**

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**Seventh Report of Session 2012–13**

***Volume III***

*Additional written evidence*

*Ordered by the House of Commons  
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2012 and 12 November 2012*

## 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 Associate Public Bodies.

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Jim Dobbin (*Labour/Co-operative, Heywood and Middleton*)

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Lucy Powell (*Labour/Co-operative, Manchester Central*)

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*Luton North*), Paul Maynard, (*Conservative, Blackpool North and Cleveleys*), Gavin Shuker

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The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at <http://www.parliament.uk/transcom>. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume. Additional written evidence may be published on the internet only.

### Committee staff

The current staff of the Committee are Mark Egan (Clerk), Farrah Bhatti (Second Clerk), Tony Catinella (Senior Committee Assistant), Adrian Hitchins (Committee Assistant), Stewart McIlvenna (Committee Support Assistant) and Hannah Pearce (Media Officer).

### Contacts

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# List of additional written evidence

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# Written evidence

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## Written evidence from Angel Trains Ltd (ROR 02)

Angel Trains Ltd owns, leases and maintains trains for Train Operating Companies. We are the largest Rolling Stock Operating Company (ROSCO) in the country and make a significant contribution to the UK economy.

Angel Trains Ltd owns and maintains more than 4,450 passenger vehicles and 280 freight locomotives in the UK, about 37% of the nation's rolling stock. Its customers include all 19 franchised train operating companies (TOCs) and two open access operators. Since 1996 we have invested over £3.5 billion in new trains and the refurbishment of existing trains, and are one of the largest private investors in UK Rail.

Our workforce consists of over 100 individuals who are specialists in many aspects of train leasing, from finance and engineering to commercial and customer service. From our offices in London and Derby, Angel Trains Ltd provides expertise in the procurement of maintenance for our leased trains and know-how on the purchase of new rolling stock. In addition to our own resources, we have a network of suppliers and contractors, from large companies through to specialist SMEs, who are sustained by the work we generate for them. Every year we channel over £60m through our supply chain.

One of the roles of the ROSCO is to act as a conduit between the international capital markets and the UK rail industry. The ability to secure financing against a diverse portfolio of assets also offers Angel Trains Ltd, and other ROSCOs, a significant degree of choice in determining the optimal sources of finance to arrive at the most cost effective solution for the industry.

More information about our company is available on our website: [www.angeltrains.co.uk](http://www.angeltrains.co.uk)

*Question—What should be the Government's vision for the railways in 2020, taking account of likely spending constraints?*

Figures released last year by the Association of Train Operating Companies (ATOC) show that passengers are increasingly choosing to travel between Britain's major cities by railway. The organisation also predicts that rail is set to replace air travel as the most popular choice for long-distance travel in the UK.<sup>1</sup> This modal shift is occurring partly because of road congestion, increased petrol prices, concern about carbon emissions, and increase in security at airports. However, it is also a function of the improvements made in terms of quality of service and customer satisfaction since privatisation.

We believe that the Government's vision for railways in 2020 should be focused firmly on customer satisfaction, just like any modern service industry.

From a passenger's perspective this would require Train Operating Companies to maintain their strong performance on punctuality and reliability, for the whole transport industry to work together to ensure passengers see value for money and efficiency from end-to-end integrated transport journeys, and for the customer experience to be maintained and enhanced by continuing investment. Focusing on rolling stock because it is our area of expertise, we know that passenger vehicles have improved since privatisation, leading to measurable, positive changes in passenger satisfaction<sup>2</sup> as a result.

Over the course of the next decade Angel Trains Ltd plans to invest in innovation and technological improvements to reduce emissions and energy usage, further improve fleet reliability and performance, and to modernise interiors to meet passenger expectations and to meet the challenge of increasing capacity on the UK rail network.

As such, Angel Trains Ltd was delighted to see the government's commitment to continued investment in rail enhancements, including rolling stock, in their Rail Command Paper.

*Question—How are the targeted efficiency savings (£3.5 billion by 2019 on a 2008–09 base) to be delivered?*

Again, in answering this question we intend to focus solely on rolling stock because it is our area of expertise.

Rolling stock cost the UK rail industry £1.9 billion in 2009–10, which is 11% of whole industry costs as identified by Sir Roy McNulty.

In the conclusion to his report, Sir Roy recommended that the ROSCOs engage in strategic partnership with the Department for Transport. Angel Trains Ltd has begun discussions with Ministers and officials to establish what strategic partnership would mean in practice, and what benefits it might bring to the taxpayer.

In addition, following the publication of the report Angel Trains Ltd has worked constructively with the Rail Delivery Group and ATOC on its eight point plan. If implemented this would place commitments on the industry (including TOCs, the DfT and on ROSCOs) to:

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<sup>1</sup> <http://www.atoc.org/media-centre/latest-press-releases/shift-from-air-to-rail-heralds-turning-point-in-how-people-travel-between-uks-main-cities-100571>

<sup>2</sup> National Passenger Surveys (2005–2010), published by Passenger Focus, <http://www.passengerfocus.org.uk/research/nps/content.asp?dsid=496>

- Publish a high-level, industry-wide rolling stock strategy. (This should provide greater visibility of supply/demand forecasting, the availability of classes of rolling stock and the underlying requirement for new trains. This may contribute to ending the stop-start nature of the rolling stock procurement process, which McNulty suggests adds approximately 20% to the price the UK pays for its trains, and thus would help to lower capital costs. In addition, a steady order flow should improve the core suppliers' ability to continually develop their products, thereby improving reliability and reducing whole life costs).
- Allow franchise bidders greater flexibility to find the best value options for rolling stock.
- Ensure TOCs and ROSCOs consider the standardisation of train designs and/or components to ensure trains can operate on several different routes and in conjunction with several other train classes.
- Permit TOCs to introduce an option into their contracts with ROSCOs to allow rolling stock to be re-leased on the same terms for an initial three years into a new franchise.
- Ensure the industry provides transparency of data including the remedies set out by the Competition Commission in its review of the rolling stock leasing market.
- Encourage TOCs and Network Rail to develop more commercial relationships through alliancing and, in conjunction with ROSCOs, identify better value for money solutions in the train/track interface (the way that rolling stock works with railway infrastructure).
- Ensure the industry is flexible to permit different maintenance solutions to be applied to trains depending on the specific circumstance facing the TOC.

In addition to the above, we would recommend the DfT and the rail industry pursue the following to achieve efficiency savings:

1. As recommended in the Rail Value for Money Report, Angel Trains Ltd believes that it is possible to provide lower cost rolling stock solutions through continued service operation of existing fleets (this will require some additional investment to ensure compliance with accessibility legislation).
2. We fully recognise that each and every train operator wishes to customise their rolling stock to reflect local operating and marketing requirements. However, a move towards adopting standard European and UK designs could reduce costs for the railway. In addition to the potential savings in capital costs, procuring common platform trains can also bring about a range of benefits relating to the reliability and operating cost of the train.
3. Angel Trains Ltd considers whole life costs in our rolling stock procurement and upgrades. As such we continue to support industry efforts to procure rolling stock on a whole life cost basis. In taking such an approach, items such as maintenance, energy, and staff operating costs need to be considered in addition to infrastructure costs such as variable track access costs.

28 March 2012

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### **Written evidence Angel Trains Ltd (ROR 2A)**

Angel Trains Ltd owns, leases and maintains trains for Train Operating Companies. We are the largest Rolling Stock Operating Company (ROSCO) in the country and make a significant contribution to the UK economy.

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Our workforce consists of over 100 individuals who are specialists in many aspects of train leasing, from finance and engineering to commercial and customer service. From our offices in London and Derby, Angel Trains Ltd provides expertise in the procurement of maintenance for our leased trains and know-how on the purchase of new rolling stock. In addition to our own resources, we have a network of suppliers and contractors, from large companies through to specialist SMEs, who are sustained by the work we generate for them. Every year we channel over £60 million through our supply chain.

One of the roles of the ROSCO is to act as a conduit between the international capital markets and the UK rail industry. The ability to secure financing against a diverse portfolio of assets also offers Angel Trains Ltd, and other ROSCOs, a significant degree of choice in determining the optimal sources of finance to arrive at the most cost effective solution for the industry.

In responding to the Select Committee's call for evidence on the Government's High Level Output Specification (HLOS) for rail for 2014–19 we intend to focus solely on rolling stock and investment, because these are our areas of expertise. While rolling stock only accounts for a small proportion of whole industry costs, we are very conscious of the need for the whole UK rail industry to work together to reduce the overall unit cost of the sector.

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## ELECTRIFICATION

1. Angel Trains Ltd wholeheartedly supports the government's commitment to electrification as evidenced by this HLOS, and agrees with the Department for Transport's statements that "*electric rolling stock has lower purchase, maintenance and fuel costs*" and that "*Released diesel trains can ..... be used to lengthen peak trains and displace older diesel trains on the remaining un-electrified routes*".

2. This support is based on recent experience in, and our long history of, purchasing, financing and maintaining electric units. Almost 60% of our current portfolio is made up of electric multiple units. Furthermore, earlier this year we signed contracts to procure and finance 20 new Class 350 Desiro electric multiple-units worth a total of £131 million. Angel Trains first invested in the Desiro class in 2000, and now has a total fleet of 1,017 vehicles. Angel Trains also owns a fleet of 53 Pendolinos which operate on the West Coast Main Line as well as a mix of mid-life electric multiple units.

3. In addition to savings made in the medium term by the purchase and maintenance of new stock, Angel Trains would like to emphasise the benefits of upgrading existing stock in reducing the cost of the UK rail industry. As an example, we have just signed a £7m contract with Bombardier for the re-traction and interior re-design of a Class 317 unit. This trial should confirm the anticipated benefits of reduced energy usage (including regenerative braking), lower maintenance costs and improved reliability and establish if the whole Class 317 fleet can be developed in this way: a partial alternative to manufacturing new electric trains which would also have an impact on UK rail costs in a shorter time scale.

4. It is important to remember that the 'bread and butter' business of the rail supply chain is maintenance and upgrade work, rather than the construction business which tends to make headlines. We would therefore like the committee to note that the diesel trains replaced by new electric vehicles, as well as increasing capacity across the network, will also provide employment for the rail industry, as the displaced stock is refurbished and upgraded for their new role. This is an additional benefit, spread across the UK, which should not be ignored in the current economic environment.

## SUSTAINABILITY

5. Angel Trains also welcomes the Secretary of State's emphasis on energy and carbon reduction. The rail sector has long been recognised as an environmentally friendly means of transport and the sector will need to further encourage a modal transfer from road to rail (passenger and freight) to help meet the UK's CO<sub>2</sub> emission targets. In conjunction with TOCs and manufacturers, Angel Trains is supporting improvements in regenerative braking, which ensures that surplus energy from the vehicle is not wasted in the form of heat, but is recycled and returned to the supply rail or overhead wire as electricity. We have financed and introduced driver advisory systems, which inform train drivers how they can achieve more fuel-efficient driving. Finally, we have commenced installing energy metering on trains that allows the train operators to measure more accurately the power which they draw down from the over-head line, permitting improved understanding of the trains' energy usage (and reducing charges).

6. However, in terms of manufacturing and maintenance, Angel Trains Ltd believes that the industry can go even further to use more environmentally friendly materials, more sustainable refurbishment activities and greener disposal methods for obsolete trains or materials. We would be happy to discuss this in more detail with the Committee if that would be helpful.

7. The statement also encourages the rail industry to "*set out plans for embedding the rail industry's Sustainable Development Principles and measuring and reducing the carbon embedded in new infrastructure, throughout the lifecycle of programmes and projects.*" Angel Trains Ltd believes that an agreed method of measurement and reporting would be extremely valuable, but would urge Government that the guidelines, when established, be easy to understand, and simple to implement, and do not over-burden industry.

## ENCOURAGING PRIVATE SECTOR INVESTMENT

8. Angel Trains agree that the electrified spine linking Southampton, the Midlands and North is a major step forward. However, as a significant investor in the UK rail industry (since 1996 we have invested over £3.5 billion in UK Rail), we believe that stable, long term political support for freight (including appropriate grants and subsidies to encourage modal shift from road to rail) are just as important.

**Written evidence from Bluespace Thinking Ltd (ROR 03)**

COST STRUCTURE—MARCH 2010

1. SUMMARY

1.1 Total 2010–11 UK franchised rail fares revenue was £6.7 billion, government support was £3.7 billion. Network Rail spent £5.7 billion of the £10.4 billion total and the 19 Franchised Train Operating Companies (TOCs) account for £4.7 billion expenditure net of franchise charges and access costs (payments and receipts from Government or Network Rail).

1.2 In this paper we show how this money is spent and highlight opportunities for cost reduction. We conclude “structural issues” in the industry will limit the ability to make the efficiency improvements identified by the McNulty report.

2. OVERALL COST STRUCTURE

2.1 It is not possible to fully detail how this money is spent but from Network Rail accounts, accounts from some TOCs and information available via the Office of Rail Regulator and from DfT investment business cases it is possible to provide a reasonable estimate of the break down. Our methodology is to reconcile the cost base to the revenue figures in annual accounts. Figure 1 shows the expenditure breakdown.

**Figure 1**

OVERALL EXPENDITURE BREAKDOWN

<i>Network Rail</i>	<i>2011</i>	<i>2010</i>
Financing cost & derivatives losses	£1.68	£1.67
Staff costs	£1.73	£1.75
Contractors costs (track maintenance and upgrade)	£1.60	£1.73
Other operating losses (income)	£0.25	£0.25
Corporation Tax	£0.13	£0.11
Retained for future investment	£0.32	£0.11
<b>Network Rail total revenue/expenditure</b>	<b>£5.71</b>	<b>£5.62</b>
<hr/>		
<i>TOCs Group</i>	<i>2011 Mid range</i>	
Rolling Stock base cost	£0.90	
Rolling Stock lease financing premium	£0.60	
Staff costs	£1.35	
Power costs	£0.35	
Other costs	£0.80	
Other operating losses/(income)	£0.40	
Corporation Tax	£0.10	
Dividends (To shareholders)	£0.20	
<b>TOCs group revenue/expenditure net of franchise costs, subsidy &amp; track access cost.</b>	<b>£4.70</b>	
<hr/>		
<i>Total summary</i>	<i>2011</i>	
Total true operating costs	£6.74	65%
Finance costs	£2.28	22%
Operating losses undefined	£0.65	6%
Retained for future investment	£0.32	3%
Tax	£0.23	2%
Dividends	£0.20	2%
<b>Total</b>	<b>£10.41</b>	<b>100%</b>

3. FINANCING COSTS

3.1 Financing costs (£2.28 billion 22% of all costs) are a major source of disparity between UK rail and other European networks. Network Rail have £26 billion of government guaranteed debt on which they paid 5.8% average interest in 2011. Also over the last two years they have lost £0.7 billion on financial derivatives presumably bought for risk management purposes.

3.2 Because of the franchise system TOCs tend to lease rolling stock for relatively short periods of time. A combination of lease finance and the risk associated with short contract periods add a significant premium to the base rolling stock cost.

3.3 In the evaluation of major new projects the DfT assume that Government will provide the infrastructure and rolling stock capital; interest and lease charges are not taken into account. Where commercial finance is

used out turns will clearly not meet original project expectations. Alternative ways of providing Government finance could reduce finance cost significantly but would appear as Government debt in the National accounts.

#### 4. ROLLING STOCK COSTS

4.1 The manufacture of rolling stock is a competitive international business, purchase costs for a given train specification are similar across Europe. However cost per passenger km varies significantly based on the specification (capacity & speed) and utilisation. UK average passengers/train ranges from 240 on the East Coast Mainline to 46 for Northern Rail Ltd at this lower level of passengers it is not possible to run a rail franchise without considerable subsidy.

4.2 After removal of lease financing premium just £0.9 Bn (9% of all costs) is spent on rolling stock.

4.3 Because of the way value of time is treated in the DfT evaluation method four short trains per hour will appear to have greater social benefit than two longer trains with greater capacity or utilization. However when cost/passenger km is looked at the more frequent, lower capacity, trains are much more expensive to purchase and operate. The DfT analysis approach leads directly to higher fares and greater subsidy than in Europe.

4.4 Zurich and Liverpool provide an interesting comparison. Both have similar urban area populations and regional catchment areas In 2008 SBB ordered 50 six-car double-deck electric trains with capacity for 1,694 passengers (526 seated) and a top speed of 100mph for Zurich commuter and regional services. In contrast the average age of Merseyside rail's rolling stock is 32 years and each train carries on average 89 passengers.

4.5 Switzerland has on average 124 passengers/train the UK has 110. Swiss rail subsidy is 28% versus the UK's 37%. Average Swiss fares are 11.1 p/km versus the UK's 12.4 p/km. Newer trains result in less breakdowns and a more efficient service.

4.6 The UK's emphasis on track and infrastructure expenditure, the form of franchise contracts and investment evaluation methodology means that current rolling stock is not able to provide effective and efficient rail services in many franchises.

#### 5. STAFF COSTS

5.1 Combined Network Rail, TOCs, contractor and other staff costs total about £4 billion (40% of all costs). UK average salaries are about 10% higher than in Europe, based on DfT Webtag projections salaries are predicted to increase by 50% in real terms over the next 20 years.

5.2 This means that over the same time period staffing levels would need to be reduced by 55% if the McNulty report's proposed 35% reduction in costs in real terms is to occur and be maintained by reduced staffing.

5.3 While there maybe scope for reduced staffing through improved working practices this level of absolute reduction is not realistic, the UK appears to have similar staffing levels/passenger km as Switzerland. However by rolling stock changes (higher capacity trains), higher utilisation and passenger numbers it maybe possible to make reductions in staffing cost per passenger km or at least offset the real increase in salaries to hold fares and subsidy level in real terms.

#### 6. OTHER COSTS AND OTHER INCOME/(LOSSES)

Network Rail and TOCs accounts do not identify the reason for other costs and charges, however it is probable that part of the other cost category is attributable to contracted services; transport police and national ticketing & enquiry services are mentioned in some accounts. We have assumed that 50% of these costs are salary related and are included in our discussion on staff costs.

6.1 The other income/losses category reported in the accounts is equally opaque but maybe of more concern, both Network rail and some TOCs report "other losses" and the £0.4 billion figure in the table assumes this level of losses across all the TOCs.

6.2 These "other" categories at 12% of all costs (charges) is more than the cost of rolling stock (ex financing costs), twice the cost of power and five times the combined cost of corporation tax and dividends. Further investigation by the TSC may explain these costs & losses and establish if they are reasonable and if they can be reduced to achieve the 35% McNulty target.

6.3 When evaluating major new rail networks it would appear that the DfT do not include an allowance for this "other" category of cost/charge in their economic evaluation.

#### 7. ELECTRICITY, CORPORATION TAX, DIVIDENDS, BOARD COSTS AND PENSION DEFICITS

7.1 These costs all seem in line with the size and structure of the industry, they will hopefully decline in relation to the cost reduction in other areas. Having 19 relatively small TOCs, although owned by just 5 parent companies, will raise Board costs and other costs where scale of operation would spread the cost. Concerns about individual salaries or bonus payments appear unfounded.



7.2 We have noted however that Pension funds are generally under funded by about £1 Bn in total, at some point this money will need to come from fares or subsidy.

## 8. CONCLUSIONS

8.1 The Government's Command paper talks about changes in Franchise arrangements, organisational structures and vertical integration to reduce costs and improve efficiency.

8.2 To make any real difference there needs to be higher capacity and fuller trains. This may be achievable from investment in rolling stock, platform lengthening and making rail a more attractive alternative with competitive fares and better services.

8.3 In our view it is the Government's own methodology for the evaluation of investment and the way the subsidised industry is funded that cause the biggest impediments to making the UK rail network efficient. Our second paper "Planning assumptions" explains how inaccuracies in demand forecasting are causing over investment in some areas and a lack of investment in commuter and regional services.

4 April 2012

## REFERENCES

Office of Rail Regulator Statistics 2010/2011.

Network Rail Accounts 2011.

Various Train operating Company accounts and other data.

Swiss Railways SBB Facts and Figure 2011.

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### **Further written evidence from Bluespace Thinking Ltd (ROR 03A)**

#### PLANNING ASSUMPTIONS—MARCH 2010

##### 1. SUMMARY

1.1 Why is the UK rail industry uncompetitive? Our first submission reviewed the cost structure of the industry and provided some high-level ideas and analysis. However, good demand forecasting is the key to establishing an efficient railway. Investment decisions and franchise contracts are dependant on demand forecasts.

1.2 Over estimates of demand result in over expenditure on infrastructure, higher/passenger costs and franchise contracts that are sub optimal. Under estimates of demand result in over crowded services, a loss in revenue as service capacity is not available, higher/passenger costs and increased profits/dividends under Franchise agreements.

1.3 This paper shows that the current DfT forecasts are not consistent with recent growth patterns reported by the Office of Rail Regulator (ORR) official statistics and explains why past forecasts have not been correct. The Government contention that long distance rail journeys are increasing faster than shorter journeys is not supported by the facts.

##### 2. REFORMING OUR RAILWAYS—COMMAND PAPER

2.1 The command paper provides the forecast of passenger demand growth that is envisaged over the next 20 years. The following abstracts provide a summary.

*DfT—Reforming our Railways: Putting the Customer First*

Investing in our country's future

*1.16 We predict significant growth in passenger demand into the future.<sup>3</sup> Estimates for demand growth by 2030, based on current GDP trend forecasts and fares policy, are set out in Table 1.1.*

**Table 1.1**  
GROWTH IN PASSENGER MILES FROM 2011

	2020 (%)	2026 (%)	2030 (%)
London & South East	17–21	28–34	34–42
Long distance	22–28	39–49	50–63
Regional	8–10	16–20	19–24
<b>Total (average)</b>	<b>17–21</b>	<b>29–36</b>	<b>36–46</b>

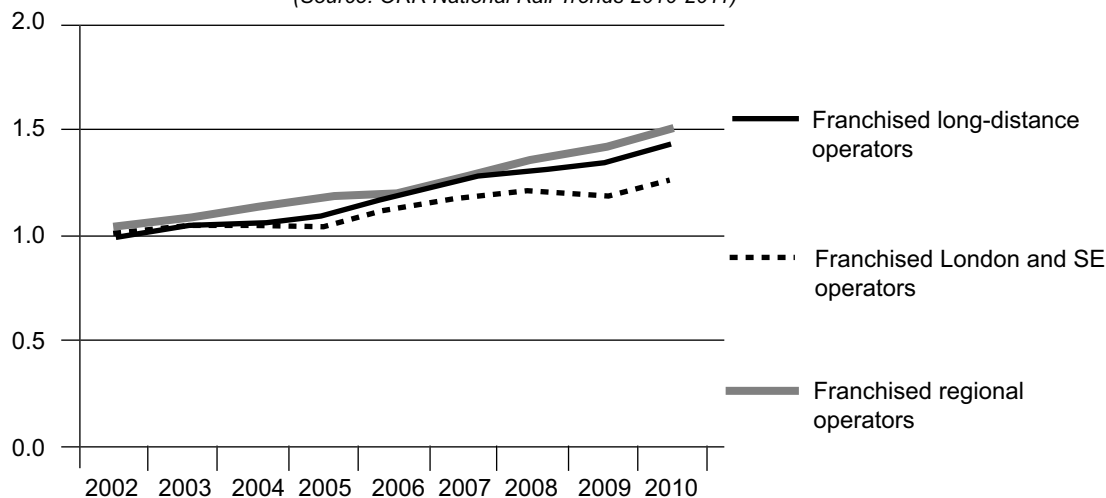
Source: Network Modelling Framework (NMF)—estimates based on model runs conducted in October 2011. Lower values in the ranges provided are based on an average of 20% lower than current forecasts. The range of regional forecasts is based on a 10% range around the NMF central case.

3. OFFICE OF RAIL REGULATORS’ OFFICIAL STATISTICS SHOW A DIFFERENT PAST TREND

3.1 Official statistics from the Office of Rail Regulator do not support this pattern of growth; it is not consistent with what has occurred over the last 15 years.

3.2 The ORR data from 2002 shows in Figure 1 significant growth due to modal shift from air, car and bus but contradicts the DfT Growth assumptions on where the growth has occurred. Although it has had the least investment in service upgrade the greatest growth has occurred in Regional networks then, probably due to substantial upgrade investment, Long distance, London and South East has had the least growth.

Figure 1. Rail passenger km by sector (index)  
(Source: ORR National Rail Trends 2010-2011)



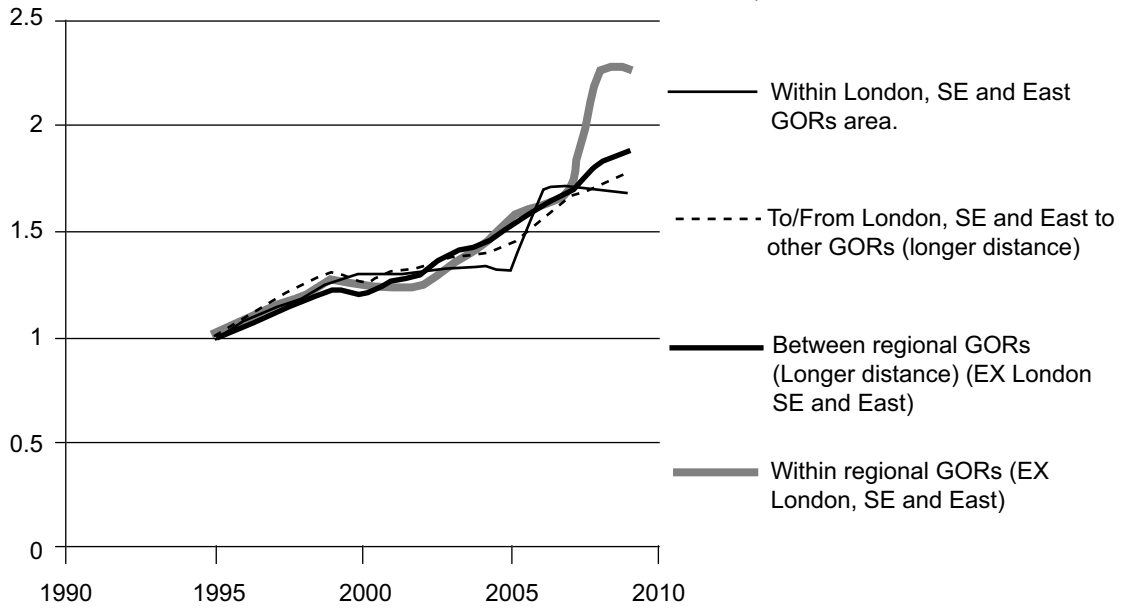
3.3 The last 15 years growth can be established from an analysis of rail journeys within and between Government Office Regions (GORs) (ORR National Rail Trends 2010–11). Figure 2 shows that, with the exception of the 2008 spike in within Regional GORs, growth in journeys across all areas and distances have been similar. Since 2002 average journey length for Long distance journeys has slightly reduced with average length of Regional and London & SE & E journeys remaining about the same.

3.4 There is no evidence to show that demand for Long distance journeys has or will increase faster or that demand for rail in the Regions will grow at a slower pace.

3.5 The ORR warn that due to changes in reporting linked to Oyster cards in London and PTE ticketing in some regional cities (eg Birmingham, Manchester and Liverpool) the step increases shown in 2007–08 impacting both “within” and “between” GOR data may not be real. Removing these step changes still shows Regional growth being slightly higher, and then Long distance, with London based growth being a lot lower.

Figure 2. Rail journeys in and between GORs (index)

Source: ORR National Rail Trends 2010-2011

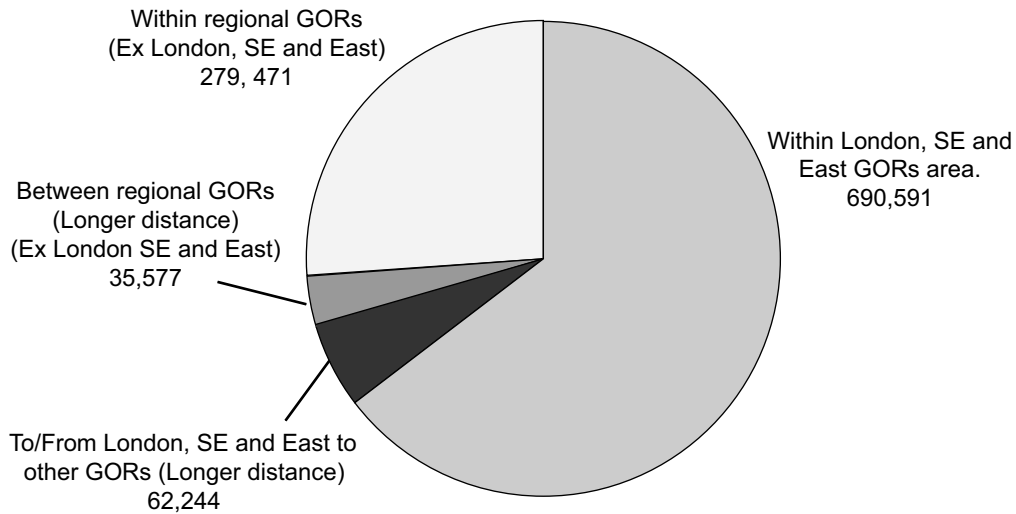


4. ESTABLISHING INVESTMENT PRIORITY

4.1 In 2009–10 65% of UK Rail journeys were in the London, SE and East area, predominantly commuter journeys; journeys within other regions represent 26 % of journeys, 6% are longer distance journeys to/from London and 3% between other regions. The London commuter bias causes the UK to have higher rail costs than other European countries as services are only fully utilised for 25% of the day.

Figure 3. Rail journeys 2009-10 (oos) in and between GORs

Source: ORR National Rail Trends 2010-11



4.2 The current priority for new UK rail investment is driven by time saving for business travelers. Since 2000 (the data on which value of time (VOT) is set) significant changes have occurred to both the average salaries of rail users and the extent to which they are able to work on long distance trains. The current 2012 VOT Business time is about £54/hour versus £7/hour for commuters.

4.3 With a lower forecast of demand growth and substantially lower value of time it is not surprising that regional commuter services are not a priority for investment.

4.4 However they are probably the services that time saving and over crowding improvements would increase passengers, increase fare revenue, show the greatest reduction in cost/passenger, and provide economic benefit by helping people get to work.

## 5. WHY ARE DFT FORECASTS NOT CORRECT?

5.1 The reason that the DfT rail forecasts do not accurately predict rail growth was identified by MVA in March 2007. Their report “Rail Passenger Demand Forecasting Research” Workstream 1, prepared for the DfT, explained that the elasticities to GDP being used were unreasonable.

5.2 MVA made recommendations for changes that were due to be implemented in 2009 however successive Secretaries of State for Transport (Adonis, Hammond and Greening) have persistently not approved the changes although interim growth caps and cautions have been advised but not always been applied. This has had the effect of increasing the forecast demand for long distance rail and its associated investment projects to the significant detriment of investment in regional rail projects.

5.3 The following are abstracts from the MVA report:

3.3.8 *We are also concerned at some of the very large elasticities to GDP in PDFH v4.1 at long distances, which are driven in part by the distance term. Table 3.1 below shows the elasticities and also the exogenous growth due to GDP alone (based on an assumption of 2.25% pa growth in GDP per capita) for four different distance bands with typical cities.*

**Table 3.1**

### ELASTICITIES TO GDP AND IMPLIED GROWTH IN PDFH (NON SEASONS)

<i>Approx Distance from London</i>	<i>Typical city</i>	<i>Elasticity from London</i>	<i>Elasticity to London</i>	<i>Growth from London</i>	<i>Growth to London</i>
100 miles	Birmingham	1.16	1.80	2.6% pa	5.3% pa
200 miles	Manchester/Leeds	2.32	2.96	3.3% pa	6.1% pa
300 miles	Newcastle	1.48	2.12	4.1% pa	6.8% pa
400 miles	Edinburgh/Glasgow	2.64	3.28	4.8% pa	7.6% pa

3.3.18 *The following table gives our recommendations for elasticities to GVA per capita for non- seasons.*

**Table 3.3**

### RECOMMENDED ELASTICITIES TO GDP—NON SEASONS

	<i>From Central London</i>	<i>To Central London</i>	<i>Non Central London</i>
London TCA	1.3	1.3	1.3
South East	1.2	1.2	1.2
Rest of country less than 20 miles	n/a	n/a	1.2
Rest of country 20–80 miles	n/a	n/a	1.2
80–130 miles	0.7	2.0	1.2
130+ miles	.0.7	1.4	1.2

5.4 As the DfT Oct 2011 MNF model runs forecast long distance growth at twice that estimated for regional growth it is clear that some element of the extreme prediction in travel to London is included (5.3%—7.6% pa due to GDP alone, not including growth due to improved services). The MVA recommendations would lead to more equal growth rates.

5.5 Since the MVA work other DfT consultants have advised that the distance term should be completely removed and various versions of webtag guidance 3.15.4 have been issued with cautions and caps concerning long distance growth forecasts. However the latest version issued in November 2011 rather than following the evidence based consultants advice appears to follow, or justify, the approach taken by HS2 Ltd in their work. This applies a high level cap that does not significantly reduce long distance journeys leaving the forecasting errors and imbalance in place.

## 6. CONCLUSION

6.1 DfT passenger demand forecast methodology has consistently under or over estimated growth. Until the methodology is comprehensively audited and amended investment decisions and the commercial parameters of franchise agreements will preclude optimisation of the UK rail system, and the reduction of fares and subsidy.

*11 March 2012*

## REFERENCES

DfT—Reforming our Railways: Putting the Customer First (March 2012).

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MVA . “Rail Passenger Demand Forecasting Research” Workstream 1, (March 2007).

## Further written evidence from Bluespace Thinking Limited (ROR 3B)

### 1. SUMMARY

1.1 The July 2012 HLOS covers 4 strategic priorities, continued network electrification—including a new freight and passenger “electric spine” route from Southampton to South Yorkshire, capacity and journey time improvements to existing intercity lines, capacity improvements to commuter services and improved links to port and airports.

1.2 Along with £5.2 billion of committed infrastructure projects (Cross rail, Thames link and other upgrades) an additional £4.2 billion has been allocated for extending electrification, the improvement of existing intercity routes, increased commuter capacity and improved ports & airports links.<sup>[1]</sup>

1.3 In addition during the period up to the end of 2019 the Government plans to spend about £11.7 billion on construction of the HS2 Y scheme. (Although not publically announced this is the figure shown in HS2 Ltd economic calculations that support the Jan 2012 announcement).<sup>[2]</sup>

1.4 The specification for the enhancement of the existing rail network is based on demand forecasting methodology that did not predict the recent significant increase in rail usage for commuting and leisure. The DfT forecasts assume that demand growth will increase with GDP however over the last few years GDP has not increased and rail demand increases have been as a result of mode shift from air, bus and car, this may be as a result of the economic difficulties or maybe as a result of improved rail services, there is no reason to believe that the increase in rail growth will continue at recent levels.

### 2. OVERCROWDING AND RECENT GROWTH

2.1 The starting point for our analysis is to take the latest (July/August 2012) Office of Rail Regulator (ORR) data on overcrowding levels and passenger demand growth.<sup>[3], [4]</sup>

2.2 Graph 1 below shows, by Train operator and journey destination, the most overcrowded rail services ranked in priority for investment (top to bottom) by the percentage of passengers in excess of capacity, during the three hour AM peak period. The percentage of standing passengers on the commuter routes is far higher; although this is unpleasant for passengers and reduces productivity it is accepted transport policy/rail industry practice.

2.3 The graph also shows the percentage growth in passenger kms (2010–11 to 2011–12) for each of the operating companies.

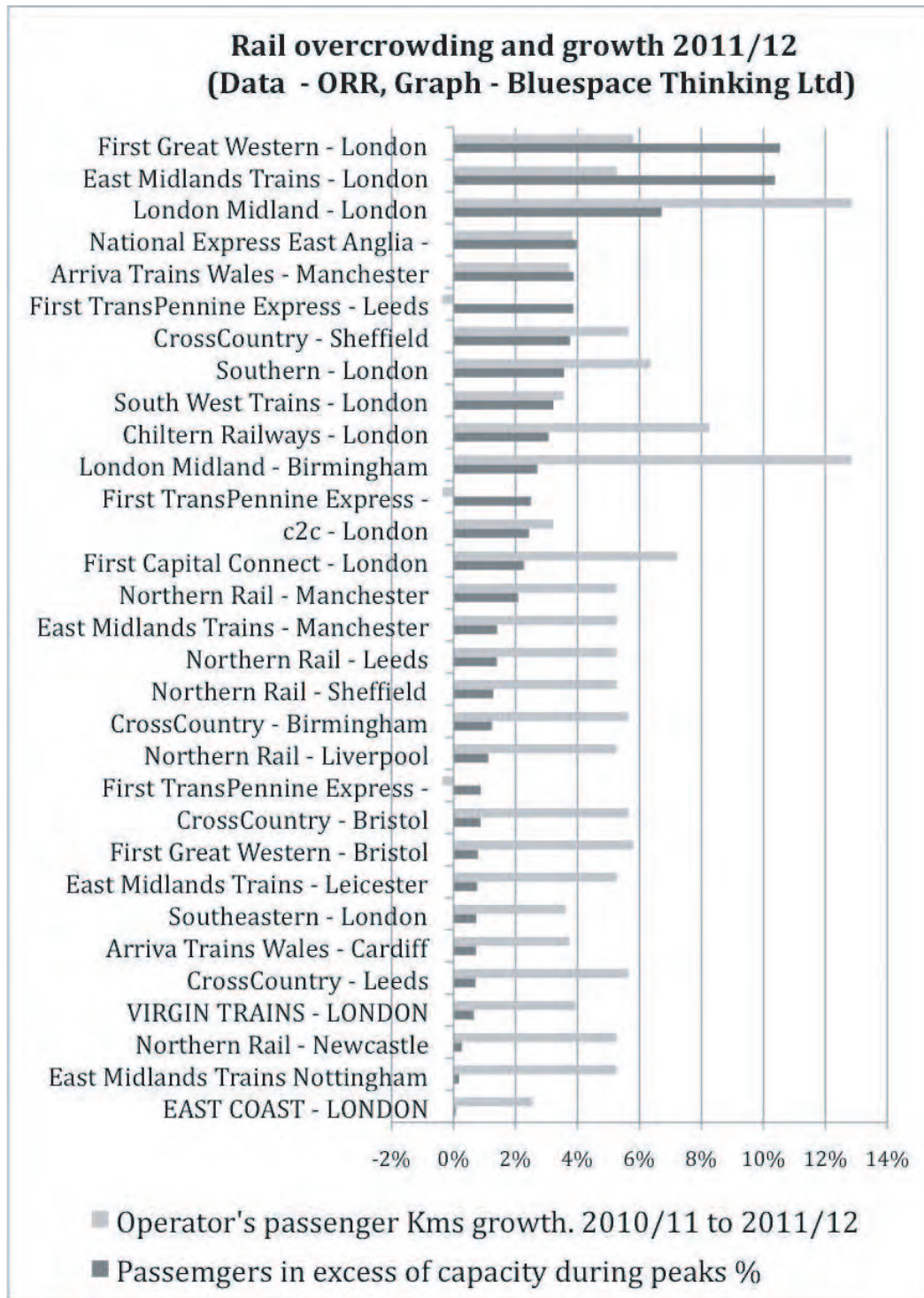
### 3. COMMUTING CAPACITY

3.1 The single most important aspect of the HLOS is that it should provide sufficient commuter capacity into London and the other major cities. The DfT are proposing an increase in capacity during the period of 22% for London and Manchester, 20% for Leeds, 10% for Birmingham and 14% for the other major English cities. Most of the additional London capacity of 119,000 peak time passengers is provided by Crossrail and Thameslink with the growth at other London stations specified at about 10%.<sup>[1]</sup>

3.2 The other cities total capacity increases are just 20,100 additional peak time passengers. Collectively their urban populations are similar to that of London. Based on DfT methodology the significant recent growth in regional rail usage is not predicted, it shows instead that the highest growth will be in long distance rail travel a prediction that is not supported by ORR data.<sup>[5]</sup>

3.3 In the event the growth level seen in the last year were to continue the HLOS would be totally inadequate however we consider that the specification for commuter growth is probably reasonable although it may result in some regional cities not having sufficient capacity and serious over crowding may continue. We are also concerned that without significant efficiency improvement there will not be sufficient funding for the considerable rolling stock investment required to meet the capacity specification.

Graph 1



4. INTERCITY IMPROVEMENTS

4.1 The HLOS proposes improvements to the First Great Western (FGW) long distance services and also improvements on the Midland Main Line (MML) and East Coast Mainline (ECML). As the service with the greatest overcrowding the FGW London service is the highest priority for investment.

4.2 While the improvements on the MML(East Midlands Trains) and ECMT long distance services are logical, based on over crowding criteria, these services are not a high priority for investment. However the proposed electrification of the MML and the introduction of the European Rail Traffic Management System on the ECML (East Coast) will allow these services to be significantly improved and will mean that the HS2 business case will need to be re evaluated as they will significantly reduce the benefits and economic case of that project. HS2 Ltd assumed these improvements would not occur when they developed their economic case.<sup>[6]</sup>

4.3 Graph 1 shows that further capacity improvement on the Virgin—West Coast Mainline is also not a priority. Although not highlighted in the HLOS the £11.7 billion expenditure forecast by HS2 Ltd during the period and the *additional* £44 billion (nominal, money of the day) required to complete the Y scheme need to be considered in evaluating the effectiveness and prioritization of the HLOS.

4.4 The HS2 Y scheme provides about a 200% increase in capacity of the long distance Intercity services currently provided by VIRGIN, EAST COAST and London Midland operators by 2037. It is not clear from the latest ORR data or the assumptions in the HLOS (only 10% growth assumed during the HLOS period) why this extreme level of increase is required.

## 5. ELECTRIFICATION, ELECTRIC SPINE, PORTS AND AIRPORT IMPROVEMENTS

5.1 Although highlighted in the HLOS as a key initiative the “electric spine” will not itself have a major impact although it will open up another non London centric route and allow freight a South/North passage away from the main long distance WCML and ECML passenger routes.

5.2 Information on passenger flows between the South East, East Midlands and South Yorkshire is made available by ORR at regional level but information for the areas served by this route are not freely available. However based on a high level view of the ORR data it is probable that an hourly passenger service between Southampton and Leeds stopping at Oxford and other towns on the route would average about 40 passengers/train. The route may also facilitate a mode shift from car and could well require no more subsidy than other similar cross country routes.

5.3 UK freight overall has not grown significantly over the last 15 years and rail freight (mostly bulk, coal, liquid, construction materials) has slightly reduced however a container freight route from Southampton to the North would establish whether rail can attract freight that may currently enter or leave the UK at other ports and use road transport.

5.4 The continued electrification and improved port and airport links make sense and the HLOS makes clear that as individual projects are progressed they need to have a sound economic case.

## 6. CONCLUSION

6.1 While most aspects of the HLOS are reasonable the work highlights yet again the deficiencies in the DfT forecasting and evaluation methodology. Business passenger journey time saving are evaluated on the assumption that the average business traveler has a salary of about £78,000 (2012), £70,000 (2010) and is unable to carry out any productive work on a “business orientated” train. At the same time the benefits attributed to a commuter being able to sit down in comfort and work or read on the way to and from work assume their time is valued at about £10,000/year and that there is no difference in their productivity whether they can get a seat or not.<sup>[7]</sup>

With this methodology commuter services will remain inadequate and under funded while major projects reducing business journey times on long distance services will appear far more economically attractive than will actually be the case.

23 August 2012

## REFERENCES

[1] <http://assets.dft.gov.uk/publications/hlos-2012/railways-act-2005.pdf>

[2] <http://www.hs2.org.uk/assets/x/85310>

[3] <http://dataportal.orr.gov.uk/displayreport/report/html/d4c0d281-51b3-4ee1-815c-fe86d3df2f74>

[4] <https://dataportal.orr.gov.uk/searchresults?ReportSearch=key+stat>

[5] <http://www.dft.gov.uk/webtag/>

[6] <http://assets.dft.gov.uk/publications/hs2-strategic-alternatives-study-update/hs2-strategic-alternatives-study-update.pdf>

[7] Note—During evidence to the Public Accounts Committee concerning HS1 the DfT Permanent Secretary advised that the earning equivalent of £70,000 (2010) calculated by Bluespace Thinking Ltd in an April 2010 critique of the HS2 analysis and others similar calculations were incorrect and that in his view this was an equivalent productivity figure including indirect taxation and other productivity uplifts. We have re checked this figure and confirmed that following DfT Webtag guidance it is an “earnings” equivalent, the figure in 2012 money is £78,000.

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**Further written evidence from Bluespace Thinking Ltd (ROR 03C)**

**WCML FRANCHISE BIDS**

Having reviewed the transcript of the West Coast Main Line Franchise session it was not clear to me if the Committee received clear answers to some of the questions.

The following may assist the Committee in its deliberations.

**Risk**

There is a far higher risk that the DfT will not receive the full £5.5 billion bid by First than that they would not have received the £4.5 billion if they had chosen the Virgin bid, hence one could say it were riskier. However there is probably a very similar risk with either bid that the DfT would receive any given sum, say £3.5 billion.

By analogy if two Olympic women high jumpers each claim they will beat the world high jump record (2.09 m set in 1987 by Stefka Kostadinova) one saying they will jump 2.10 the other 2.50 both are unlikely, the 2.50 claim is far riskier but there is probably a similar chance that they will both be able to jump 1.95 on the day, in the Olympics just 12 cms separated the top 10 competitors.

Because the bond for First is five times greater than that for Virgin does not indicate that the bid is five times riskier. It is however more likely that First will be forced to default on their bid due to insolvency than would be the case for Virgin.

The biggest risk to the eventual receipts from either bid (but not to the risk of default) is the GDP growth forecast provided by the DfT. Because the premium is leveraged to this growth rate if the eventual GDP growth rate is 20–30% lower than forecast the DfT will receive far lower premiums from either bidder. A full risk assessed procurement evaluation should show sensitivities to the bid values under a range of scenarios. The quality and transparency (to some oversight body) of the bid evaluation process is far more important than the outcome of this particular bid.

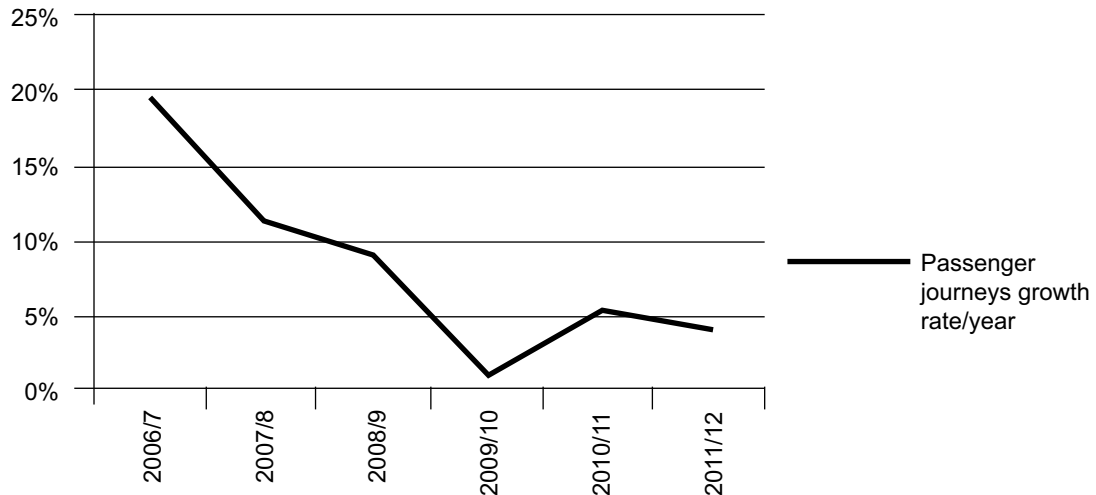
It is not possible, based on what is currently in the public domain, to make an objective assessment of the risk associated with each bid or whether the DfT made the correct decision on a risked basis.

**PASSENGER GROWTH FORECASTS**

In their submissions First referenced the growth on their Transpennine Express as evidence that they could achieve a 6%/year increase in passenger numbers for the next 14 years on the WCML.

Based on Office of Rail Regulator Statistics, passenger journeys since 2005–06 have increased 60% from 15.5 million to 24.8 million in 2011–12. However during this period the track distance included in the franchise has increased by 28% and the train Kms have increased by 30%, these options are not available on the WCML.

The passenger increase was 19% from 2005–06 to 2006–07 since when the increases have been declining. The initial growth was due to latent demand, again a situation that does not exist on the WCML, although this was the situation for the WCML following the substantial upgrade.



DfT and rail industry guidance on demand modeling is based on elasticities to GDP growth and does not properly evaluate the impacts on transport markets as they potentially reach a saturation point in travel/head



of population. If the WCML franchise follows a similar pattern of growth rate decline as shown on the Transpennine Express the First bid assumptions for growth will not be met.

13 September 2012

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## Written evidence from Jonathan Tyler, Passenger Transport Networks (ROR 04)

### TIMETABLE PLANNING

#### PREAMBLE AND SUMMARY

Jonathan Tyler joined British Rail as a Traffic Apprentice in 1962. His career path has been from operations through demand modelling to BR-sponsored university lecturer and then to independent-minded consultancy in a range of transport work. Since 2000 he has specialised in making the case for the importance of integrated strategic timetabling, drawing in particular on Swiss methodology and software for case-studies in Britain.

The thrust of this submission is that the existing process of timetabling Britain's railway is inefficient in itself and incapable of delivering either good use of scarce capacity or an attractive national network of services. It does yield benefits within each franchise, but these are as much to do with advantage to shareholders as to that of travellers and they cannot sum to a coherent whole. The wider public interest and environmental values receive insufficient attention. Structural reform is essential if the railway is to become something more than a loose collection of fiefdoms. The proposed solution is to move from franchises to concessions, thereby acknowledging that strong public specification within a national framework is desirable—while allowing for flexibility in delivery. The timetabling process would be managed by a National Timetabling Authority.

1. Public transport can be provided either as a commercial activity or as a public service. Under the commercial model each business

- seeks to maximise its market share;
- uses marketing tools to stimulate demand;
- aims to maximise net revenue;
- is vigilant in cutting costs, where necessary without regard, for example, to the wider consequences of withdrawing services;
- may be innovative; and
- owes its ultimate loyalty to its shareholders.

2. Under the public-service model the organisation

- puts more emphasis on maximising market share than on stimulating demand;
- seeks to optimise general welfare by considering social and environmental value;
- is mindful of costs but recognises non-monetary considerations;
- may be innovative; and
- is ultimately responsible to democratic institutions.

3. The problem in Britain is that we have an uneasy mix of the two models. Neither the McNulty Value for Money study nor the Command Paper offers much clarification, and the latter may make matters worse.

4. In the bus industry the majority of services are run commercially. The operating companies have improved their offer, in some cases to a very high standard with commensurate increases in market share relative to private cars. However, quality remains uneven, fares are deemed to be too high, coordination is poor (partly because of the arbitrary application of laws against anti-competitive behaviour), and the industry has generated little public trust. Substantial profits are paid to shareholders while ruthless application of financial criteria leads to withdrawal of evening, weekend and geographically-marginal services. Provision of supplementary services supported by public funds is stricken by austerity budgets and typically troubled by scratchy relationships with the commercial services. This is not a promising exemplar for rail to follow.

5. The franchise system for Britain's railway combines features of the two models. Two of the franchises (Merseyrail and London Overground) are essentially public-service concessions, since the infrastructure and the timetable are largely determined by public bodies, and the franchisees are contracted to deliver the service. Revenue-risk lies with the specifying authority. All the other franchises are based on a process whereby bidders propose the price for which they will operate a service outlined by government. The winning company is then free (subject to the terms of the franchise) to operate in whatever way will enable it to maintain the committed premium payments or to minimise support.

6. Under this scheme the Train Operating Companies [TOCs] are constrained by the initial specification and to some extent by public opinion in respect of changes to their offer, especially to the timetable, but few questions are asked about their marketing activities and there appear to be no market-share targets. It is considered acceptable to fulfill the premium commitment and to pay dividends by stimulating new travel and (especially in the peak period) by maximising revenue rather than passenger-kilometres. Because there is no clear and explicit definition of what may be expected in the public interest companies can point to numerous initiatives to meet particular demands—many of which are worthwhile in themselves—while emphasising that—monetary value is the ultimate criterion.

7. The Government proposes to continue this mixed model, with some modifications. It seems likely that the Scottish and Northern franchises will move closer to being concessions, with a significant degree of control exercised by public authorities. That is to be welcomed. For the London commuter and inter-city franchises it is intended that they will have greater freedom in order to reduce the much- and rightly-criticised micromanagement by the Department for Transport. Precisely how this will work has not been properly defined, and hence there is a risk that public-interest constraints will be weakened while private objectives are encouraged. (Ironically these may now include transfers of British public funds to support railways in other countries—an anomaly that must surely be removed.)

8. It is therefore important at this moment to register some significant disadvantages of the current franchise model and to consider some remedies.

#### *Disintegration of the national network*

9. Each franchise is treated as a distinct business. The franchises are let sequentially with only limited concern for interactions with neighbouring franchises. There is no constraint on branding, brands are multifarious and unstable, and customer-loyalty is consequently weak. The result is that any communal sense of a national network has become very attenuated (the phrase National Rail is deployed but is almost devoid of meaning). Whether this matters deserves more careful investigation than it has yet received. It may be that highly-focussed regional businesses realise substantial benefits. The offset is that rail is no longer recognised as the universal public service that it undoubtedly remains in some countries in mainland Europe, with the possibility that irritation with a complex and opaque structure hinders the railway's ability to increase its market share.

#### *Confused priorities in marketing*

10. The behaviour of the inter-city TOCs is becoming ever more like that of supermarkets. Both types of business have a fairly fixed number of “products” to sell, with limited scope for satisfying niche markets (supermarkets may claim to offer what customers want, but of course they will not stock what does not fit readily into their large-scale logistics operations), and they both respond by vigorous marketing designed to win customers from rivals and to persuade them to maximise their spend. That is business, although it does raise some social, ethical and sustainability questions that cannot altogether be ignored. More immediately, however, in the railway case the purposes must be queried.

11. Ostensibly the objective is to fill seats that would otherwise remain empty, given that most railways operate (for very good reasons) fixed-formation trains at fixed intervals and that there is nothing more perishable than an unoccupied seat at the end of a train's journey. Thus far the marketing activity and the associated fares structures are unobjectionable. Yet there are some increasingly concerning downsides:

- Virtually all of a TOC's effort goes into selling journeys *within* its own territory, with the result that place-pairs that happen to involve more than one TOC tend to be offered fewer or less substantial discounts. This raises important equity and regional issues.
- The fares system necessitated by supermarket-styles of selling has become increasingly unwieldy, to the point where confusion and a palpable sense of being exploited are discrediting both it and the companies who run it. Any reform must be drastic.
- Frenetic promotions are now commonplace, and one gets the feeling that some companies are primarily focussed on stimulating trips that would not otherwise have been made (ie by diverting expenditure from non-transport items). That is perfectly legitimate from their standpoint, but it runs counter to the long-term sustainability target to reduce the total volume of travel, and more immediately it diverts effort from the purported government aim to increase the share of the travel market held by rail.
- The combination of on-line marketing with internet booking systems affords the traveller many benefits and the company valuable tools for planning its services (not least to spread traffic as evenly as possible), but one unintended consequence is the widespread belief that all tickets have to be purchased in advance, must be accompanied by seat reservations and are subject to restrictive rules. The concept of the “walk-up” railway has thus been gravely weakened. The government's commitment to maintain it is welcome, but active measures are needed to re-emphasise its vital role in making the railway a convenient and credible alternative to the private car. Reform of fares and timetabling must take this into account.

*Disconnecting the network*

12. Actions by TOCs, no doubt each reasonable from its own point of view, accumulate to undermine a network in which the companies collaborate:

- Because franchises are let sequentially any one operator is restricted in recasting its timetable by the pre-existing and legally-protected paths of other operators. Some instances only cause minor difficulties, and it is important to maintain some stability rather than be constantly changing timings. Nevertheless the system can devastate the process of radical overhaul that is necessary from time to time—as it did in respect of the East Coast Main Line revision that was both interminable and eventually mediocre.
- TOCs pay little attention to securing good connections with other operators' services. It is not a priority for management time because the net-revenue benefits are limited and difficult to discern, while the process for achieving them would often be fraught. The Office of Rail Regulation [ORR] has systematically neglected its duty to facilitate the making of journeys which involve the services of more than one operator. The loss of potential revenue that this entails to the national railway and the social and environmental benefits forgone are unlikely to be trivial, but the narrow focus of each TOC and fear of change are preventing even a study of the issue, despite copious evidence of the benefits of connected networks in a number of European countries.
- Most TOCs have also ceased to offer useful information about connecting services in their printed literature and on-train announcements. Network-wide maps are not often displayed, and publicity for the facilities offered at a system level is scarce. In one indefensible case a TOC poster shows only its own lines while purporting to assist travellers with their onward journeys.
- Connections are commonly broken as each TOC seeks to protect its performance statistics. There can be good reasons for not holding trains for a late-running service, but what to the customer look like casual or self-interested actions, sometimes resulting in disproportionate inconvenience and long taxi-rides, have undermined confidence in the collective railway. The effect on demand is unknown, although research suggests that the perceived interchange penalty has increased dramatically (with the perverse effect that through trains are demanded beyond what there is any realistic prospect of delivering).

*Setting the franchisees free*

13. This is a key feature of the proposed Government policy. It has long been sought by ATOC, the franchisees' association, and it chimes with a general intention to reduce central control. Little detail has so far been offered as to how it will work, and therein lie some worries:

- If TOCs seek significant changes to their timetables in order to pursue what they believe to be their customers' interests (but which will also be driven by shareholder interests) then two things may happen. One is that they will be frustrated by the constraints imposed by other operators' paths. The other, partly in consequence as compromises are worked through, is that the changes will degrade the offer by varying standard-hour paths, creating gaps and nibbling at the edges of evening services and geographic spread. This will then bring the Department back in, because public criticism will have to be faced. The issue will become critical if, as some comments suggest could happen, TOCs try to withdraw services from secondary stations or flows in order to concentrate on the big flows that maximise profit.
- These potential problems will be exacerbated because no precise definition of the public interest has been offered by any government running the present franchise process. There is neither a modal-split target to underpin the public involvement in the railway nor any framework of standards of service by which to measure whether particular communities are receiving a good, fair or indifferent quality of public transport.
- Franchisees will only be incentivised to pursue innovations which happen to fall within their territory and happen to be advantageous to them. The industry will still lack an overall view such that wider initiatives for new service patterns and inter-connections or, say, for some clearer differentiation of service-types can be explored.

*What then are the remedies for the unresolved contradictions in the franchising model?*

14. Neither the Government nor the current industry players have any inclination to resort to major structural changes. This is despite the fact that many informed observers have become convinced that further tinkering evades the reality of the failure of the fragmented and contractualised railway and despite what appears to be a consistent majority in public opinion in favour of reunifying, or even renationalising, the railway and thus explicitly confirming its public-service status. What follows is therefore based on an attempt at reform in pursuit of a key objective without resorting to comprehensive change.

15. The steps in the reasoning are these.

- Any vision of a railway that takes an increasing share of the market, that contributes significantly to real long-term sustainability (by minimising transport’s use of resources and damaging emissions) and that affords every citizen a reasonable standard of accessibility for a fulfilling life must be centred around a coherent *national* network (which could well extend to public transport as a whole).
- A national network implies that the component parts will function as an entity in respect of the service offer, common standards, ease of use and the perception inculcated in public attitudes through consistent presentation and branding.
- It is perfectly possible for the network to be delivered by different players so long as they work collaboratively—while retaining freedom in respect of any matters that do not detract from the national system (this is more or less how London Buses functions). The very costly process of delay-attribution could usefully be cut back in a unified network.
- The timetable is the central feature of the product offered by public transport and a fundamental element in the operation of a disciplined railway. This needs to be recognised more explicitly. In particular, Britain can never have a high-connectivity timetable with well-delineated services and easy-to-understand repeating patterns unless the existing process is comprehensively reformed.
- In parallel it is becoming increasingly clear that the capacity of the railway can neither be used efficiently nor expanded effectively if pathing is no more than the cobbling together in a rigid legal process of the demands of an uncoordinated set of players each seeking its own independent advantage. The conflict between franchise and open-access requirements is a particularly pernicious example of inefficient use of resources. These aspects were acknowledged in the McNulty review in the form of a need for system-level functions within Network Rail and for some form of “guiding mind” in timetabling.
- Such weaknesses can only be addressed by moving from the franchise concept to a concession system. The timetable would be planned centrally using well-established principles and methodologies in order to realise all the benefits of an integrated system, including opportunities for “clean-sheet” recasts to optimise outcomes. Service-delivery would continue to be contracted out. This would in turn enable the entry of a wide variety of operators, since it would no longer be necessary to offer large franchises, and particular services could be taken on by, for example, local or cooperative organisations.

16. Responsibility would rest with a National Timetabling Authority [NTA]. Its remit would be to balance all the requirements for paths in the way best calculated to optimise the use of existing capacity and to guide its enhancement. This body would:

- take over the specification of the public interest from the Department of Transport, whose role would be to lay down overall policy;
- consolidate (and hence secure economies in) the overlapping timetabling activity now undertaken by the Department, Network Rail, the TOCs and other players;
- receive representations from all interested parties, including businesses with market experience and organisations of users;
- work systematically and consensually to consider every aspect of services, including market potentials, connectivity, accelerations and resource utilisation; and
- devolve many detailed tasks to regional bodies.

17. Network Rail would continue to manage the infrastructure and would work closely with (and probably be best co-located with) the NTA. Access-rights would be determined as an intrinsic element of the timetabling process and no longer require a distinct legal process, but ORR would retain a referee and appeal function in order to ensure non-discrimination, especially with respect to capacity for freight trains. The Department for Transport would manage the concessions process based on the specifications of paths drawn up by the NTA, including arrangements for adjusting terms when timetables were altered for system reasons.

18. This does not claim to be a fully developed proposition. Plainly it would require extensive reorganisation and probably statutory powers, although with a degree of goodwill and cooperation it could begin to function immediately on a provisional basis. The point however is that the Command Paper represents the fourth attempt to make the fragmented railway work, and once again analysis suggests that it contains the seeds of the next failure.

19. That will be particularly the case if no action is taken to address a system of timetable planning that is cumbersome, inefficient and incapable of delivering an effective national network. The alternative vision of an integrated pattern of regular and connected services delivered in the public rather than in the shareholders’ interest must surely merit consideration at this time since it would very probably reduce costs and increase revenue.

20. There is no reason to believe that this structure would be incompatible with European Union law as it now stands, since most mainland railways continue to offer a unified service. It might however be necessary to challenge further liberalisation, given that the evidence that that will secure the style of public transport appropriate for a sustainable future is very thin.

11 April 2012

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**Written evidence from Mr R J Parr (ROR 05)**

**THE IMPACT OF 1ST CLASS ON CROWDING ON UK TRAINS**

**1. EXECUTIVE SUMMARY**

1.1 There is substantial anecdotal evidence that the comfort of passengers on UK trains, both intercity and commuter, is being compromised by the excessive provision of first class carriages. Standard class passengers are regularly required to endure crowded carriages whilst at the same time there are often plenty of empty seats in first class carriages.

1.2 Trains with first class carriages (or even with a few larger than standard class seats) will have a sub-optimal total passenger capacity. Thus, when constantly increasing passenger demand is outstripping the supply of train seats, total carrying capacity could be increased significantly by converting first class accommodation to standard class.

1.3 The available evidence suggests that first class carriages run at lower occupancy levels than standard class. This leads to unnecessary crowding in standard class and, at the margin, to standard class passengers having to stand. This would seem bad enough when the first class carriages have *some* empty seats but is especially aggravating to those affected when first class has low occupancy.

1.4 The Train Operating Companies will not make available such information as they have regarding occupancy levels in first and standard class or the numbers of first and second class tickets sold, citing commercial confidentiality. Given the higher fares charged for first class tickets it is understandable that revenue figures are sensitive. However the *utilisation vs capacity* figures are a matter of genuine public interest and are not in themselves commercially sensitive.

1.5 Without reliable statistical information it is difficult to recommend any particular course of action with confidence. Simple observation, however, would suggest that demand for first class travel could still be satisfied by replacing at least one first class carriage with a standard class carriage on most intercity trains. This would, in turn, significantly increase the availability of standard class seats and reduce crowding at most times. Moreover, since the average passenger would benefit, consideration should also be given to the total abolition of first class carriages.

1.6 At the very least, the TOCs should be required to submit such information as will enable the Committee (and the public at large) to better assess the efficiency with which train seats are provided to the travelling public. In addition, further research into the travelling public's attitudes to first class travel should be commissioned.

**2. ANECDOTAL EVIDENCE**

Anyone who travels regularly by train cannot fail to notice the preponderance of empty seats in first class carriages. This is particularly noticeable on intercity trains where most passengers embarking at a London terminal have to endure the long walk (or run) past the (frequently empty) seats in first class to reach standard class. There, they will often discover very high levels of occupancy—to the point where finding a seat may be all but impossible. Many intercity trains leave London with standing room only in standard class—and yet rarely with first class being anything close to full.

**3. INFORMATION REQUESTS TO TOCS**

3.1 No train operator that I have contacted is prepared to reveal their occupancy levels by both first and standard class, citing commercial confidentiality. Whilst it is understandable (if not necessarily acceptable) that they should not wish to disclose revenue figures, I can see no good reason to withhold occupancy level information.

3.2 Other information which could reasonably be provided to assist an inquiry into the first/standard class question includes the percentage of pre-booked seats, the occupancy levels at the start of any particular journey and the number of first class passengers resulting from upgrades (see paragraph 11. below).

3.3 Whether or not the TOCs provide the requested information it might be appropriate for the ORR to commission an independent survey on train occupancy levels and on attitudes towards first class.

#### 4. WHY FIRST CLASS AT ALL?

4.1 First class carriages have been provided on UK trains since the earliest days of railways. By the time third class was renamed second class in 1956 the term “second class” had largely disappeared. Second class was renamed standard class in 1985.

4.2 There are a number of reasons for continuing to offer first class carriages. Customer surveys<sup>3</sup> site the guarantee of a seat, more comfortable/spacious seats and additional facilities such as complimentary drinks. Another obvious reason is the quieter atmosphere, more conducive to working on a train.

#### 5. TRAIN OPERATORS

From the train operators’ perspective, first class provides a ready means of boosting revenue. Whilst the information to assess the profitability of first class vs standard class is not available publicly, it might be assumed that train operators, who are under no statutory obligation to provide first class seats, only do so because they deem it worthwhile. In fact there is evidence that operators have responded to demand by reducing the number of first class seats on commuter routes, although this would not appear to be the case on intercity trains.

#### 6. OFFICE OF RAIL REGULATION/DEPARTMENT FOR TRANSPORT

6.1 The ORR say that they do not have a breakdown between first class and standard class rail travel. Given the level of customer complaints about overcrowding in standard class one might expect them to have inquired into this area.

6.2 At the time of the 2010 announcement of an £8 billion investment in more than 2,000 new carriages for the national rail network, a spokesman for the DfT was unable to say how the carriages were to be configured. Whether the DfT has any views on this matter is unclear.

#### 7. QUIET CARRIAGES

The popularity of standard class “quiet” carriages suggests that there is considerable demand for the quieter atmosphere normally to be found in first class carriages. Indeed it seems likely that many first class customers would be satisfied with a standard class quiet carriage if more were provided. Undoubtedly, there is a point at which most first class customers could no longer justify the price premium of a first class ticket to a seat in a standard class quiet carriage.

#### 8. THE FIRST CLASS SUBSIDY

It is widely believed that first class ticket sales effectively subsidise the cost of standard class tickets. However, this is debatable—certainly if the social costs imposed on passengers forced to stand are included. Given the lower seating density of first class carriages and the additional staffing costs, the marginal cost of carrying a first class passenger is significantly higher than a standard class passenger. Again, relevant information is required from the train operators to assess the contribution of first class to overall profitability.

#### 9. CLASS IMBALANCE

9.1 The benefits enjoyed by travellers in first class come at a price for the majority who cannot afford (or justify) the expense of first class travel. This price is regular over-crowding in standard class—often to the point where passengers are forced to stand. Because of the lower number of seats in a first class carriage, yet finite number of carriages in each train, every first class carriage reduces a train’s potential capacity. In the case of Virgin’s current nine-car Pendolino set, capacity could be increased by around 20% if all carriages were standard class.<sup>4</sup>

9.2 Ignoring any financial arguments, it is clearly unreasonable for a train to carry just a handful of first class passengers whilst at the same time forcing some standard class passengers to stand. Whether a first class occupancy level of 20–30%, say, is reasonable in such circumstances is clearly a matter of opinion but for the passenger who is obliged to stand for all or part of his journey, having paid a reasonable price for his ticket, the sight of a single unoccupied first class seat is bound to be annoying, at the very least.

#### 10. DECLASSIFICATION OF FIRST CLASS

Certain train operators have responded to the problem of overcrowding in standard class by declassifying one or more first standard class carriages on an ad hoc basis. This allows standard class passengers who would otherwise be forced to stand to get a seat, improving their comfort and that of anyone else wishing to move

<sup>3</sup> eg Ipsos MORI for London TravelWatch, July 2010.

<sup>4</sup> Virgin’s Pendolino trains are configured as five standard class carriages with 46, 62, 48, 62 and 72 seats respectively (allowing for the driver’s cab and a baggage compartment in the first carriage and a buffet area in the third car) and four first class carriages providing 46, 44, 37 and 18 seats respectively (including the kitchen, baggage area and driver’s cab in the last carriage). Thus a full Pendolino set has 145 first class seats and 294 standard class seats—making a total of 439, around 90 short of the maximum possible if all were standard class.

along the train. Indeed this may well boost takings at the buffet car. On the other hand, any first class passenger in such a carriage who is unable to move into another first class carriage is eligible for a differential refund. The amount repaid in these circumstances is not disclosed but the evidence of East Coast Main Line, for one, in response to an FIO request in 2010, was that “declassification of first class travel is an extremely rare event”.

#### 11. UPGRADES

Another way in which train operators attempt to fill empty first class seats is to offer upgrades, both in advance or on the day. An upgrade on the day of travel is usually a lot more expensive than if pre-booked. However these upgrades are not available on peak time trains and consequently do not solve the problem of overcrowding at the very time when it is most likely to occur. Of course, a passenger is always free to upgrade at the full marginal cost—usually such a large amount as to make even the most affluent think twice!

#### 12. CARRIAGE CONVERSION

One way to deal with the issue of crowding would be for train operating companies to convert at least one of their first class carriages to standard class on every full train set. In the case of Virgin’s Pendolino sets, for example, this would increase total standard class seats by at least 62 seats and reduce first class seating capacity by at most 46 seats. If current average utilisation rates in first and standard class are assumed to be 35% and 65% respectively, first class occupancy would increase to 51% whilst standard class would drop to 54%—assuming no passenger switches class. In other words, first class, which is inherently more comfortable than standard class, would remain less crowded than standard class. If two carriages were converted, the occupancy levels would become c85% and c45% respectively. This suggests that at peak times first class would reach capacity—although this could be readily “managed” by reducing the number of “discounted” first class tickets sold.

#### 13. ABOLITION OF FIRST CLASS

13.1 The most extreme reform would be to abolish first class altogether. Whilst this would substantially increase seat capacity on intercity trains, there could be a significant cost to the train operators. This would depend in part on the first class/standard class price differential, and also on the number of first class passengers deciding to no longer travel by train. Of course it is possible that some of the shortfall would be made up by additional passengers choosing to use the train in the knowledge that they would, in the immediate future, be less crowded.

13.2 Given the level and regularity of overcrowding, the case for abolition of first class on commuter trains is a lot stronger than for intercity trains. London TravelWatch, for one, has said that first class carriages on London commuter trains are unnecessary and should be freed up to increase capacity for everyone, especially at peak times. LTW’s own survey indicates that 90% of first class travelers would travel standard class if first class was abolished.

13.3 Abolition of first class on intercity trains would undoubtedly cause some first class passengers to switch to car or plane. However, as already noted, if the number of “quiet seats” was increased to compensate, the loss of first class passengers might not be significant.

#### 14. ROUTE DIFFERENCES

The make-up of trains differs widely from route to route across the country. However the basic points set out in this paper are likely to apply to most routes; in particular, the anecdotal evidence of overcrowding in standard class and underutilisation of first class is apparent countrywide.

*15 April 2012*

#### PERSONAL NOTE

My own experience of train travel in the UK spans 50 years, starting as an unaccompanied child visiting my grandparents in North Wales, many years of business travel (in both first and standard class) and as a regular leisure traveller—again in both first and standard class. My normal practice these days is to pre-book a seat in standard class and, when I deem the cost reasonable, to upgrade to first class. The abolition of first class would hold no particular fear for me—so long as it was accompanied by an increase in the number of “quiet” seats in standard class.

My mother relates the story of my great-grandfather waiting for a train with a friend, both with second class tickets. As the train pulled in, his friend turned to him and said “wasn’t that your son in first class?” to which the response was “Yes, he has a rich father!” My son has to pay for his *own* train tickets—and, I suspect, has never purchased a first class ticket in his life.

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## Written evidence from North East Combined Transport Activists Roundtable (ROR 06)

### INTRODUCTION

NECTAR, the North East Combined Transport Activists Roundtable, is an open, voluntary, umbrella body, established to provide a forum in which the many organisations with an interest in sustainable transport in all its forms can develop a co-ordinated view on contemporary transport issues.

The NECTAR area of interest covers the North East of England from the North Sea coast to the Pennines and from Scotland to North Yorkshire. NECTAR provides a voice for dialogue with government, transport providers, transport users and similar bodies concerned with transport and related policy and practice locally, nationally and internationally.

Membership of NECTAR is open to organisations which:

- support the use of sustainable transport and sustainable changes to the transport infrastructure;
- broadly support integrated transport and land use policies which reduce the need to travel;
- promote better provision for public transport, walking and cycling; and
- seek to minimise any negative environmental or social impacts of transport, whilst maximising accessibility, safety, good health and quality of life for all.

NECTAR is one of a national network of Transport Activists' Roundtables working together with the Campaign for Better Transport, *railfuture* and similar national bodies that share the core aim to promote sustainable transport.

1. *What should be the Government's vision for the railways in 2020, taking account of likely spending constraints? How should the balance be struck between the taxpayer and the farepayer in paying for the railway?*

People able to exercise choices in their personal travel opt overwhelmingly for their cars. The consequences of these choices range from congestion with resultant delay, air pollution and its health effects, death and injury resulting from accidents, increasing levels of obesity resulting from lack of physical activity, and the financial and social costs that accrue through the exclusion of those unable to drive or without access to a car. The present level of car travel is not sustainable, given the need to curb carbon emissions and the likely decreasing supply of oil. These limitations will also apply to freight transport. The Government's vision for the railway should therefore be to provide attractive alternatives to the car, in conjunction with other sustainable modes of transport, thereby enhancing the travel choices available.

The command paper *Reforming our Railways: Putting the Customer First* sets out the Government's vision for rail as follows:

- offer commuters a safe and reliable route to work;
- facilitate an increasing amount of business and leisure travel;
- support regional and local public transport; and
- transport freight around the country.

The command paper admits that rail transport is both greener and safer than road transport.

We agree with these objectives, but feel that rail alone will not achieve the first three bullet points relating to passenger transport. To deliver on its potential, passenger rail must be integrated with other modes of travel so as to achieve the convenient door-to-door journey that travellers expect. Necessary measures to encourage transfer to rail will include car parking at stations, improved bus links and better active travel access to stations. We would propose that new franchise agreements should oblige operators to grow their share of the journeys made in their principal markets.

We would add to the vision easy ticketing, especially across different modes, fares that are attractive when compared with the direct costs of less sustainable modes of transport, and trains with sufficient capacity to carry the numbers of passengers already travelling by rail together with those that industry forecasts expect in the future.

To enhance the attractiveness of rail travel to passengers, the industry should ensure that changes to ticket retailing, staffing and facilities at stations appeal to people rather than being undertaken for the convenience or financial gain of the operator, or arbitrary concepts of acceptability to tax payers. This will require a rigorous analysis of issues such as fare evasion so that measures imposed do not offend or deter legitimate passengers. There needs to be a recognition of the importance of staffing to the confidence of travellers. Manned station booking offices are in reality very much more than human ticket machines. Booking office staff provide information, answers to questions arising from the complexity of the current fares system, access to facilities such as waiting rooms and toilets, support for less confident travellers and an overall sense of security.

Active travel aside, it must be accepted that all modes of transport, even rail travel, have environmental costs. The vision should therefore be part of a wider strategy to reduce the need to travel. The command paper and fares consultation identify a better offer for flexible and part time workers. A more significant impact is



made by the location of housing, employment locations, shopping centres and leisure facilities. It is regrettable that recent changes to the planning system (the abolition of the regional spatial strategies together with the new National Planning Policy Framework) have made this objective, to lessen the need to travel, more difficult to achieve.

The final part of the vision is the Government's localisation agenda and DfT's commendable desire to decentralise the commissioning and management of rail franchises. The shaping of rail services in the localities that they serve is a very necessary step in making those services more attractive to potential passengers, but this will work best if complementary modes of transport can be integrated imaginatively so as to provide more numerous and convenient door-to-door journey options for travellers.

We suggest that the following principles should underlie the division of costs between farepayer and taxpayer:

- The identified cost to the traveller should reflect the economic, social and environmental costs of making the journey. This would require that the costs of land, construction, maintenance, policing, congestion, greenhouse gas emissions, pollution, and other adverse health effects. Death and injury resulting from accidents, and increasing levels of obesity resulting from lack of physical activity should also be factored in to the identified cost of motoring.
- Sustainability should be a decisive factor in comparing cost distributions between modes, investment and pricing decisions.
- Government should not be able to impose fare increases above inflation (determined using the same criteria as for pensions, benefits, etc.). Any change in the ratio of farepayer to taxpayer funding should be achieved through organisational and operational efficiency improvements.
- A key objective of changing the balance of fare to tax funding should be to ensure that sustainable travel modes become progressively cheaper relative to the cost of motoring.

It should not be forgotten that fare payers are taxpayers too and indeed often motorists as well. Neither should it be forgotten that not all taxpayers are motorists. Around England some 30% of households do not have access to a car; many more individuals do not have access to the one car in the family for the journeys that they need to make. Currently all modes of transport are subsidised by "the taxpayer" to some extent, even if only through the provision of made up (and often inadequately maintained) footpaths.

The command paper makes several mentions of aligning the incentives of the various players in the industry so as to bring down the overall costs of the railway. We suggest that fares should be reduced in real terms at the outset, so that the cost to the taxpayer falls as the industry has to become more efficient in order to make a profit. This will give Government the necessary incentive to ensure that a reduced contribution by the taxpayer is delivered.

## *2. How are the targeted efficiency savings (£3.5 billion by 2019 on a 2008–09 base) to be delivered? What will be the consequences?*

The Government is clear that the costs of operating the railway are too high and need to be reduced. This determination is nothing new: the Strategic Rail Authority's second strategic plan issued in January 2003 had as a central aim the requirement to reduce total industry costs. That operating costs remain too high demonstrates that this will be a tough nut to crack. Thus, it is entirely possible that efficiency savings will not be delivered, but that costs will be cut at the expense of service quality and extent (for example, by closing booking offices, reducing off-peak services, and reductions in the cleaning of trains and stations).

A key organisational efficiency that could be achieved is the termination of the internal money redistribution achieved through "delay attribution". This wasteful activity employs 600 staff in Network Rail (RAIL 693, Apr 12, Page 49) and no doubt a similar number again if not more across the operating companies. European railways do not engage in such unnecessary and wasteful activity. Possible saving 1200 x £40,000 (salary +on-costs) + overheads at say 100% = around £10 million per annum.

A rigorous review of perverse incentives should be carried out and all pointless internal money transfers eliminated. For example, a major contribution to the downfall of GNER was reported to be the improved performance achieved by Network Rail that resulted in significantly reduced "compensation" payments to GNER. If anything, operators should contribute to, rather than be "compensated" for track improvement works for which Network Rail need possessions.

The McNulty review recommended that infrastructure management be let out to third parties on a long term concession basis. While this is different to the contracting out of maintenance responsibilities that Network Rail inherited from Railtrack, it should be remembered that bringing maintenance activities back in-house saved sums of money comparable in magnitude to the efficiency savings now being sought. We have not seen any convincing demonstration that the proposed concession system will reduce costs.

3. *Will the reforms to rail franchises proposed by the Government, including alliances, deliver better services at lower costs?*

We believe that a major contributor to the present inflated costs of running the railway is the fragmentation resulting from the current structure of the industry. This requires a complex arrangement of contracts, which have to be policed by expensive armies of lawyers and accountants. We are not convinced, therefore, that the proposed reforms, which entail the creation of more bodies such as the Rail Delivery Group, will necessarily reduce industry costs. We note that the DfT cold shouldered the McNulty recommendation to establish a change management team.

The reported restriction of the Executive Summary of franchise bids to 1500 pages spells out the inefficiency of the underlying contracting process. Alliances built on legal agreements will multiply the legal costs and the resolution of disputes will further add to the internal inefficiency of the process as, for example, the delay attribution costs noted above.

Such proposals as Alliances represent a managed situation; to ensure that any gains are not simply creamed off into operator profit, profits allowed would also have to be managed. Whilst Network Rail (a not-for-profit organisation) may seek to improve for the benefit of rail users, the primary motive of the operators is likely to remain profit extraction.

We might take note that from a freight operator's perspective, alliances are not viewed with enthusiasm. That said there are some natural geographic areas (eg Scotland) where an alliance between Scotrail and Network Rail Scotland may help reduce the internal friction at the interface. However, rail decentralisation (local franchises etc) will immediately increase the fragmentation!

The Government's vision depends on the private sector organisations which deliver rail services (train operators, rolling stock leasing companies, maintenance companies, etc.) accepting the need to do so at significantly lower costs. An early test of their willingness will come with the bids for the three franchises currently in play. Now that a Government owned organisation, Directly Operated Railway, exists, it could be tasked with preparing properly costed and financially sound bids in the forthcoming franchise competitions. This would give DfT an invaluable "value for money" check on the bids it receives.

4. *How should fares and ticketing be reformed?*

The present system of fares is too complicated to be fully understood by rail retail staff, let alone passengers. The last attempt at reforming the system resulted in very little improvement.

The industry is not always very good at collecting fares, for example on overcrowded local services where the conductor cannot physically get along the train to sell tickets. Misdiagnosis of such situations as fare evasion leads to solutions being adopted that are inappropriate and ineffective.

Rail fares have appreciated well ahead of inflation while the costs of driving have remained flat in real terms. The aim of reform of fares should be to reverse this situation so that more sustainable modes of transport become progressively cheaper. For people who have access to a car, and have already paid the capital cost of the vehicle together with tax and insurance, the marginal cost of each journey is that of the fuel involved and, potentially, parking charges at the destination. Multiple occupancy reduces this cost still further and makes rail travel even more expensive by comparison, albeit railway initiatives such as family railcards have ameliorated this situation.

Fares policy should be designed to attract new travellers to off-peak services and indeed peak time services where the journey is transferred from the car. The government policy is perverse in that it works counter to the whole mode shift, low carbon sustainable travel thrust of the same government.

The proposition that passengers should be rewarded for avoiding the most crowded trains is dubious in that overcrowding makes for an unpleasant journey and therefore is already an incentive to change travel patterns. Without a clearer steer to employers, who seem reluctant to embrace flexible working, increasing fares for peak hour services is unlikely to make much impact.

For commuters and other regular travellers, smart ticketing systems offer significant benefits. Oyster type smart cards have proved overwhelmingly successful in London, and are now on the agenda of most major cities. In the North East, Nexus is introducing the *Pop* smart card, and the associated ticket machines and card readers are starting to appear at Metro stations. The Oyster regime, with capped daily fares will undoubtedly prove attractive and have a proven record. It is difficult to imagine part time season tickets being similarly successful.

5. *What are the implications of the proposals for rail decentralisation and how should responsibilities be devolved to local authorities?*

On their own, local authority areas are too small for individual authorities to exert any practical influence. The abolition of the regions, which would have had the right size to commission and manage franchises, makes decentralisation more difficult.

Expecting sufficient numbers of PTE's and shire county and unitary transport authorities to have adequate commonality of interest to make workable consortia is difficult to believe. Moreover, ITA's/PTE's, having more resources and expertise, will inevitably dominate.

In London, the Mayor and TfL are bidding to control all rail services into the capital, even those originating well outside its boundaries. Congestion and air quality issues provide powerful incentives to get this right. The Greater Manchester combined authority initiative is one way of emulating the situation in London.

Responsibility must be accompanied by adequate resources to ensure that appropriate provision is possible.

In itself, though, resourcing groups of smaller authorities will be an inefficient process as it will require trained staff to discharge the same tasks at a greater number of places across England. This will almost certainly result in a significant increase in numbers employed to achieve the current result, let alone any improvement.

16 April 2012

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### Written evidence from Railfuture (ROR 07)

Railfuture is pleased to submit this response to the Reforming the Railways inquiry that has been prepared by the Policy, Lobbying & Campaigns Committee.

Railfuture is a national voluntary organisation structured in England as twelve branches and two national branches for Scotland and Wales.

#### INTRODUCTION

It is difficult to define the extent to which the railways are subsidised and how much is taxation and how much is investment. Taking into account the large sums of money which the industry returns to government through taxation, premium payments and profit sharing arrangements, it is clear that the net cost of the rail industry is significantly less than the figure currently being used to determine fares policy and that assumed by the Sir Roy McNulty inquiry. Including indirect taxes, it is now estimated that Network Rail alone pays taxes under 19 different headings, many of which British Rail did not have to pay as a Nationalised company and many of which would not have been in place when British Rail was in existence. One such is Industrial Buildings Tax, which Network Rail has to pay on structures like bridges, tunnels, viaducts and even embankments. Furthermore, unlike the privatised railway, British Rail did not have to pay insurance let alone insurance tax. This is not a plea for not taxing the railway but drawing attention to the fact that it is not possible to compare the cost of British Railways with the cost of the railways now.

*Question 1: What should be the government's vision for the railways in 2020, taking account of likely spending constraints? How should the balance be struck between taxpayer and the fare-payer?*

1.1 In 2020 the government should look to having the major schemes that are either under construction or on the drawing board completed within this timescale.

1.2 Thameslink upgrade, Crossrail, Great Western & the North West Triangle electrification, Northern Hub, Reading and New Street stations should all be completed and working as required. The government should have in place a strategic plan for the future development of the rail network, which lines should be developed, which should be expanded under the strategic freight network, which are suitable for conversion either to light rail or tram-train operation and the infrastructure developed accordingly.

1.3 Rolling programmes for electrification and capacity enhancements should be in place. The speed of implementation would be adjusted to suit the financial situation but work should not be stopped. In the past, the stop start policy has been costly with the break up of construction teams and assembly lines, requiring it all to be put back together again before work can restart.

1.4 In 2020 the most pressing need will be for the provision of more capacity. External factors will generate continued strong growth in demand for rail transport. Population growth, higher oil prices and the trend away from car ownership will all play a part in further mode shift to rail. About one third of young people under the age of 26 do not now own a driving license and the number of men up to the age of 39 and women up to 29 in possession of a driving license is reported to have been falling for the last 10 years.

1.5 Railfuture is concerned that the government has under estimated the future cost of oil from an assumed low figure of \$75 per barrel to a high of \$170 in 2030. This seems grossly unrealistic when it is remembered that the price has already exceeded \$125 per barrel in 2012. In addition, environmental concerns will combine to generate strong growth for rail transport and in parallel with a rolling programme for electrification government will need to have in place a rolling programme for new rolling stock and rail served freight terminals.

1.6 Generally speaking, rail expenditure is twofold, firstly operating and maintenance and secondly investment in enhancements. Whilst it would not be unreasonable to say that the former should be in balance between cost and fare income, it must be remembered that Network Rail inherited a huge backlog of maintenance and renewals from Railtrack and British Rail before it. Much of this backlog has now been cleared

and there is evidence that costs are now falling as a result. However, there will always be a need for some services to be subsidised through revenue support for social and wider economic benefit reasons and, to its credit, the present Government has recognised this.

1.7 Railfuture would caution against experiments with vertical integration for a number of reasons. Firstly, it is vital that Network Rail is maintained as a unified national network for reasons of impartiality and to maximise economies of scale. Secondly, fragmentation is acknowledged as a major cause of rail industry costs and vertical integration would increase fragmentation and create more interface issues. Thirdly, a franchise system cannot work satisfactorily with vertical integration because, without certainty of future ownership of the franchise, operators would tend to neglect investment in maintenance, renewals and enhancements as a franchise approached the end of its term. We therefore urge that alliances and “virtual” integration should be allowed to develop as currently proposed by Network Rail.

1.8 It is an unfortunate fact that much of the recent growth in rail patronage has occurred at times of day when the railway is already operating at or near capacity. Nobody travels in overcrowded trains by choice but out of necessity and further juggling with fares will make little if any difference. A high proportion of rail industry costs therefore results from the need to provide capacity to cater for huge peak demands with about one third of passenger rolling stock used for just one journey each way per day for 5 days per week. At around £1.5 million per carriage, the high cost of catering for peak commuter traffic can be judged. The national trend to work in city centres as manufacturing and traditional industries have declined has exacerbated this problem. However, failure to cater for this demand would damage the economy by making access to jobs and education more difficult whilst increasing road congestion, pollution and accidents.

1.9 Railfuture therefore considers that the balance between fare payer and taxpayer has already been reached. Fare payers are themselves taxpayers and further above inflation fare increases would simply price many people off the railway and make access to jobs more difficult. Nor should the wider benefit provided by rail transport to tax payers generally be under estimated.

*Question 2: How are the targeted efficiency savings to be delivered? What will be the consequences?*

2.1 Longer franchises will reduce the cost of the franchising process, both for the DfT and the bidders. It is estimated that bidders each spend about £5 million per bid and the DfT spends at least as much evaluating the bids. Short franchises distract management time from running the railway and creates a high workload for the DfT. Longer franchises could be phased so as to avoid peaks when several renewals occur simultaneously, allowing the DfT to work more efficiently and provide greater stability whilst encouraging private sector investment.

2.2 Closer collaboration between Network Rail and train operators should help create more efficient working practices, reducing perverse incentives and giving operators more control but, other users concerns such as freight companies must not be overlooked. It is probable that there would be pressure on Network Rail to carry out as many maintenance and renewal works as possible at the same time when routes are closed for engineering work, reducing the number of closures needed. Single line working to keep routes open during maintenance on one track should be used wherever possible. Alternatively, trains should use diversionary routes rather than bus replacement services being deployed. Most importantly, closer collaboration between Network Rail and the operators could remove the wasteful need for compensation payments, which has a major influence on the cost of renewal and enhancement work.

2.3 One of the suggestions in the McNulty report was the reduction in the number of booking offices to improve efficiency and reduce costs. This will be unpopular with the travelling public for a number of reasons. Firstly, ticket machines are suitable only for basic transactions and many passengers find them complicated. They do not sell the complete range of tickets and present problems for holders of oyster and freedom cards travelling outside the zone area. Machines will not answer queries. Where do I change trains? Which platform do I go from? What time is the next train etc.? Unmanned ticket offices usually mean unmanned stations with all that that implies. Where ticket sales are lighter, staff can be asked to carry out additional duties and they could issue tickets away from the office using portable machines.

2.4 There is scope to convert some routes to tram or tram-train operation and operating costs would be reduced because expensive signalling systems would not be required. More frequent services could be operated, making the service more attractive to passengers. Light rail systems can also be extended into town centres, making the route more accessible. Croydon Tramlink is just such an example where the previous single-track heavy rail branch line had a poorly patronised 45-minute interval service. Following conversion to a tramway and extensions into Croydon town centre and beyond with a 7 to 8 minute interval service, patronage exploded and the system now carries over 28 million passengers a year. Conversion to light rail operation could also improve the efficiency of lightly used rural routes and enable service enhancements to be implemented by provision of automatic passing loops at minimum cost. Routes such as the Whitby branch, whose timetable is geared to the needs of school children but cannot cater for commuters and tourists, and the St Albans- Watford line, would be suitable candidates. We also note that an additional passing loop and more frequent service provided on the Falmouth branch has brought a significant increase in the number of passengers.

Question 3: *Will the reforms to rail franchises proposed by the government, including alliances deliver better services at lower cost?*

3.1 The answer is “yes” in both cases, but because certain activities and obligations will still have to be met, the scope for cost reduction is limited. The cost of catering for peak loads has already been discussed above and this problem is likely to become more acute with demand growth. Operating more intensive services increases operating and maintenance costs and, at the behest of government, investment in capacity enhancements is funded from interest bearing loans at commercial rates from city banks and Network Rail now pays over £1.2 billion per year in interest charges alone. With future projects to be funded in the same way, this burden is set to grow considerably and combined with taxation and loan guarantee fees, we feel it is unlikely the cost savings of the order of magnitude envisaged by Sir Roy McNulty and in the Rail Command Paper could be realistically achieved.

3.2 Community Rail Partnerships have proved their worth with an average of £4 worth of benefits for each £1 spent. They have very successfully promoted patronage, particularly on branch lines in Devon and Cornwall and the principal should be expanded.

3.3 Railfuture remains concerned however, that seeking to put more and longer trains onto an already overcrowded network while trying to reduce costs is a very big ask.

Question 4: *How should fares and ticketing be reformed?*

4.1 Fares are one of the most contentious issues with passengers sitting in adjacent seats often paying vastly different fares for the same journey. Most passengers think fares are poor value for money and too complicated. Journeys over different routes of similar distance also have vastly different fares. Restrictions on the use of off peak tickets are also a minefield with many rail staff often making mistakes apart from passengers. Ticket restrictions are also used as a devious way to increase fares. The common practice of charging full fare with no refund on the fare already paid should a passenger make the mistake of boarding the wrong train is wholly unacceptable and should be disallowed.

4.2 The fares minefield could be made more easily understood by colour coding tickets to indicate if any train can be used or if the ticket is valid only for off peak or shoulder peak services. Timetables could also indicate ticket restrictions by colour coding each train. All tickets should be available at half the price of the equivalent return fare, enabling passengers to travel out during the peak period and return on an off peak service or vice versa. Anybody wishing to upgrade should pay only the difference, not the full fare.

4.3 The idea of introducing discounted carnet tickets is to be welcomed. This will make it much easier for people with part time or irregular jobs to get to work without needing to purchase a season ticket, which would only be partly used. Validation at point of use as is common practice in most continental cities would enable carnet tickets to be sold in shops, post offices and libraries, for example.

Question 5: *What are the implications of the proposals for rail decentralisation and how should responsibilities be devolved to local authorities?*

5.1 At a local level, this could be beneficial. Better station facilities and access to them could be improved. Integration of local bus services with rail could be encouraged. Local authorities could become more involved in supporting and developing train services. PTEs could gain more responsibility for specifying franchises train services. Closer cooperation between train operators and local authorities could improve efficiency and aid promotion of local services.

5.2 In the absence of Regional Development Agencies however, there is a risk that Local Enterprise Partnerships will be too small to take an overview of strategic issues. Since most rail services are inter-regional, the overall effect could be detrimental. It would only take one LA with different priorities and little or no rail expertise but who see their problems only in road terms to make development of rail services difficult. For example, proposals to reopen the Oxford-Cambridge railway are currently supported by local authorities along the route but if only one LEP had a change of heart, this strategically important project could fail.

5.3 Where services are self-contained or within the boundaries of one authority they could be “micro franchised” subject to oversight by the ORR. The Whitby branch and the Watford–St Albans lines could be suitable examples.

5.4 Overall, Railfuture is optimistic that decentralising will improve working relationships between Network Rail, train operators and local authorities but concerns about the integrity of the wider rail network will need to be addressed.

**Written evidence from Transport Watch (ROR 09)**

**THE GOVERNMENT’S POSITION**

1. The Government’s position is illustrated by the following:

- (a) In the forward to the McNulty report “Reform of our railways: Putting the customer first”, Cm 8313, dated March 2012, the Secretary of State, Justine Greening, wrote “We all know how important our railway network is to the prosperity and wellbeing of this country”.
- (b) Likewise in the forward to the DfT’s Rail decentralisation report, also of March 2012, she writes “Rail has a vital role to play in the national economy, enabling large numbers of people to move between home and work across the country”.
- (c) The previous Secretary of State (Philip Hammond) is cited in Network Rail’s Initial Industrial Plan, the IIP, for England and Wales dated September 2011, as saying “Rail should be at the forefront of the Government’s transport strategy—contributing to the Coalition’s twin goals of economic growth and carbon reduction”.

Those views are strongly held but seemingly without recourse to the facts.

**THE FACTS**

*Modal share*

2. Rail accounts for only 3% of the nation’s passenger journeys, 7.7% of its passenger miles, and for 8.3% of freight transport. That trivial contribution is illustrated by the following diagrams where the values are for the year 2010.

Fig 1. Passenger-km

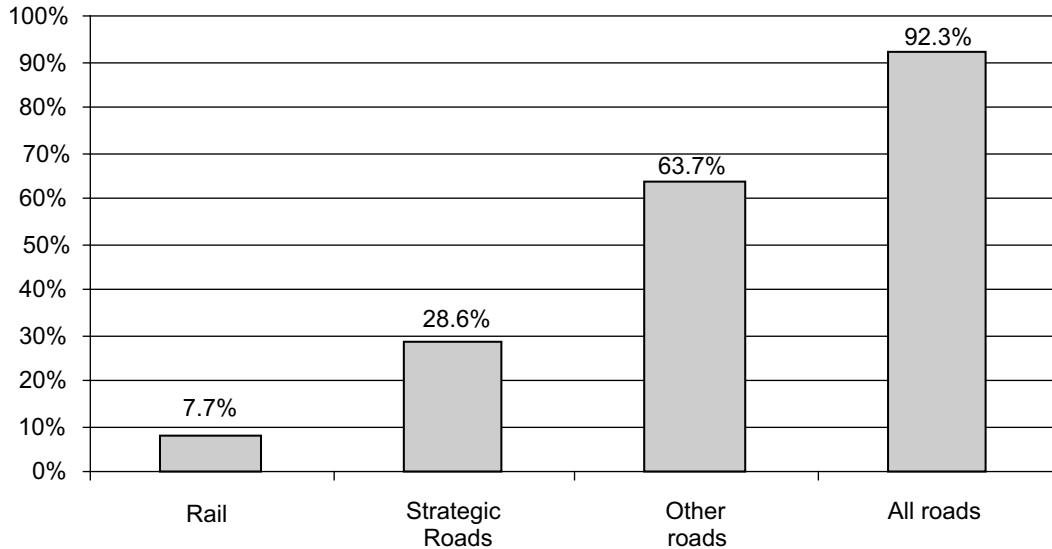
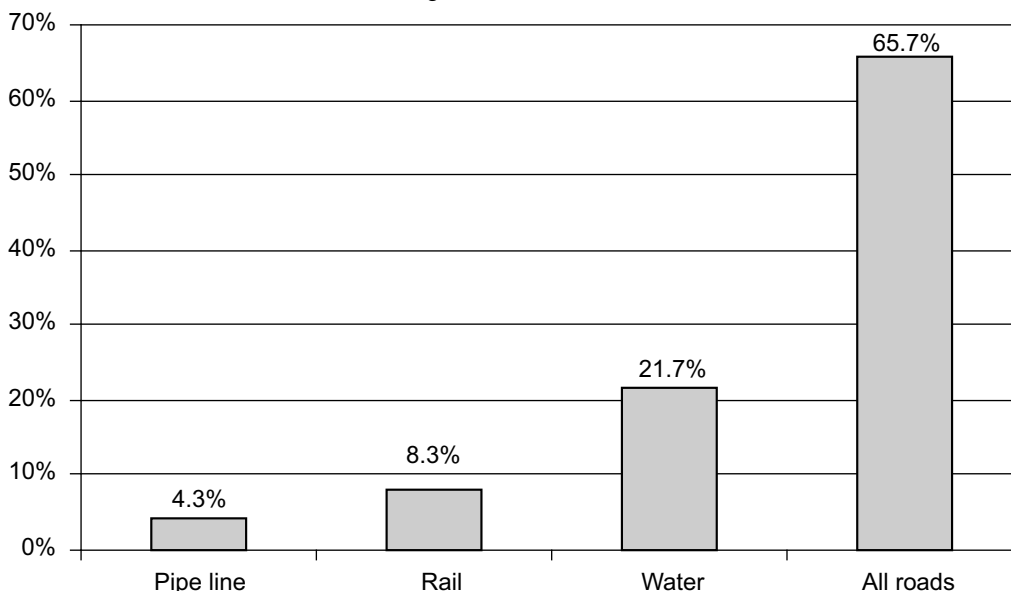


Fig 2. Tonne-Km



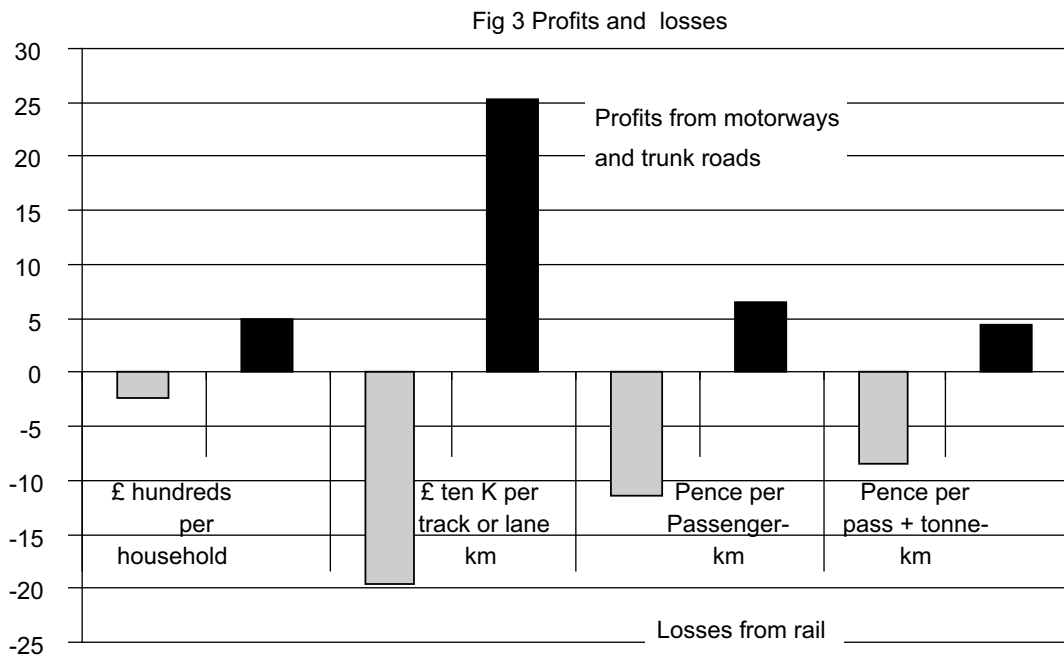
Costs

3. Furthermore, rail transport is punishingly expensive to the exchequer compared with road transport. For example:

- (a) Support from the exchequer for the railways averaged £4.7bn at 2010/11 prices for the decade to 2010–11.<sup>(1)</sup> In addition Network Rail’s annual accounts show bank debts of £25.6 billion and liabilities including tax of £35.6 billion. Net assets, after allowing for track and plant etc. valued at £39.6 billion, amount to £7.7 billion. However, the £39.6 billion is unrealisable—Probably the track is nearly worthless in the market place unless income is guaranteed by the Government or change of use allowed. Hence the actual net debt is the £39.6 billion liabilities minus the £7.7 billion assets providing circa £32 billion. It is unlikely that that debt can ever be repaid from the fare box. Hence, in the longer term, it will fall on taxpayers. If the £32 billion has been accrued over 20 years the annual amount is £1.6 billion. Adding that to the 10 year average for Government support provides circa £6.2 billion.
- (b) In comparison, the taxes taken from road users, including VAT on motor sales etc. total at least £50 billion compared with expenditure of circa £10 billion. If the net profit of £40 billion is apportioned according to vehicle-miles the profit to the exchequer attributable to the Strategic Road Network amounts to £13 billion per year.

4. These vast losses and profits, together with track lengths, lane lengths and usage, provide the following comparisons, also illustrate in figure 3.

	<i>Annual profits from the Strategic road network</i>	<i>Annual losses from the national rail network</i>
Per household	£500	Minus £240
Per lane-km or track-km	£253,000	Minus £196,000
Per passenger-km	6.4 pence	Minus 11.5 pence
Per passenger plus tonne-km	4.4 pence	Minus 8.5 pence



5. Further, dividing Government expenditure on the motorway and trunk road system by the sum of passenger-km and freight-km provides a unit cost of 1.4 pence, six times less than the cost of 8.5 pence for rail apparent from the above table.<sup>(2)</sup>

6. Against that background of relatively trivial use and extraordinary costs and losses it astonishes that the Government continues to pour money into the railways. 50% of the Government's expenditure on Transport is on rail, leaving 39% for the strategic road network and 11% for local and other transport.<sup>(3)</sup> That at a time when the strategic road network carries nearly four times as many passenger-miles and over double the freight of the railways.

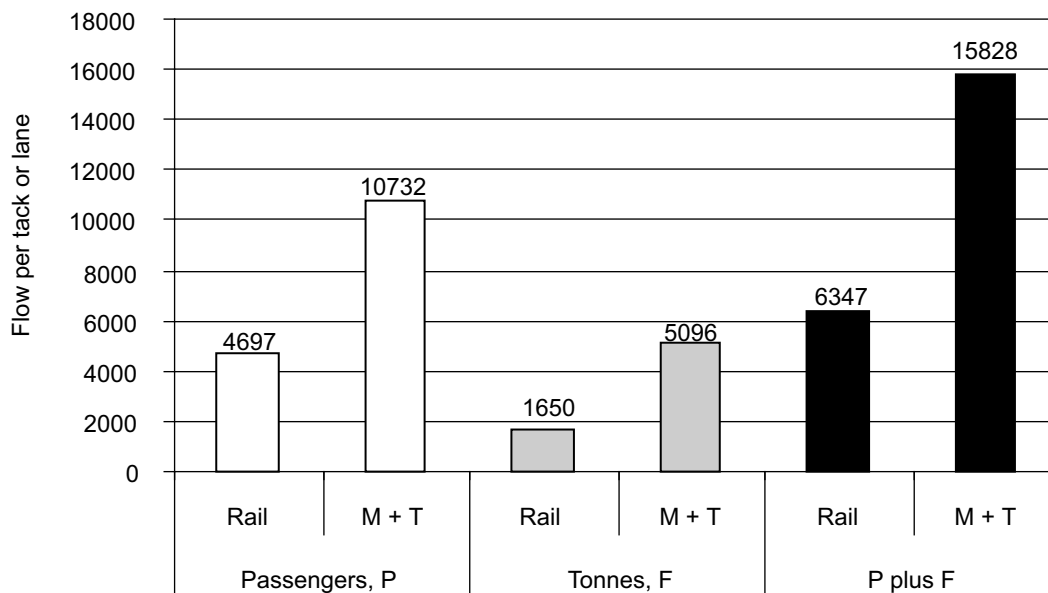
*Usage*

7. Worse still, the rail network is, in highway terms, lightly used. In 2009/10 the product of the national rail amounted to 54 billion passenger-km and 19 billion Tonne-km carried upon 31,500 km of track. If the passengers had been carried on that network by express coaches, containing as few as 20 people, and the freight by lorries carrying an average of 12 tonnes (24 tonnes out, back empty) then the daily flow per track, averaged over the network, would amount to some 235 coaches plus some 140 lorries, a total of 375 vehicles.<sup>(4)</sup> Such a flow would pass in 20 minutes in one lane of a motor road.



8. Further, rail is two to three times less productive per track-mile than is the strategic road network per lane-mile. The figure below illustrates where M + T denotes the Motorway and Trunk Road network.<sup>(5)</sup>

Fig 4. Average Daily flows per track or lane



9. As for London: some 500,000 surface rail passengers enter the capital in the three hours 7.00 am to 10.00 am, corresponding roughly to 250,000 in the peak hour. There are at least 25 inbound tracks serving the capital. Hence the peak hour passenger flow per track averages 10,000. The 10,000 would all find seats to spare in 150 75-seat express coaches, sufficient to fill one seventh of the capacity available. Outside the peak period this great Victorian network is a place of dreams.

10. Figure 5 shows a vast expanse of virtually empty of rail—all within a stone’s throw of Westminster where the roads are clogged with traffic. Meanwhile, in New York there is a single express coach lane 11 feet wide and four miles long that carries up to 700 45-seat express coaches in the peak hour—offering over 30,000 seats. In comparison at Victoria Main Line 30,000 crushed passengers arrive in the peak in the trains requiring four inbound tracks.



### *Speed and journey lengths*

11. Half of all rail journeys are less than 20 miles long, 90% are less than 80 miles. For all of those the expressed coach, given an uncongested right of way, would match the train journey time, particularly after taking account of a service frequencies several times that offered by the train.

### *Safety*

12. Those supporting rail like to say that more people die on the roads in a day than rail passengers in a year on the railways. However, at the heart of that statistic there are two frauds. Firstly, when the statistic was originally put about there were 18 times as many passenger-miles by road as there were by rail (now it is 13 times). Secondly, it compares passengers killed in train accidents, accounting for less than 5% of those killed on the railways, with all those, system-wide, killed on a completely open road system. In contrast we found that when trespassers but not suicides were included the railways kill more people per passenger-mile than does the motorway and trunk road system.<sup>(6)</sup>

### *Social equity*

13. Railway travellers, as described in the Economist (17/3/12), are typically rich. (In fact those from households in the top quintile of income travel four times as far by rail as do those from either of the bottom two quintiles). Those people are also mostly able bodied. However, rather than the service that they use being taxed those users are heavily subsidised. Since social equity is one of the Government's aims it follows that, rather than subsidy, which leads to an expansion of the service, fares should be raised so as to balance supply and demand.

### SOME QUOTES

14. Uncle Remus: "It ain't what ya don't know that hurts ya. What really puts a hurtin' on ya is what ya knows for sure, that just ain't so".

15. Stewart Joy, Chief economist to British Railways in the 1960s in his book, "The Train that Ran Away": "There were those in the British Transport Commission and the railways who were cynically prepared to accept the rewards of high office in exchange for the unpalatable task of tricking the Government on a mammoth scale. Those men", Joy wrote, "were either knaves or fools".

16. Frances Cairncross in *The Guardian* of 29 April 1974: "When trains are still the theme of nursery rhymes and children's stories, it is small wonder that the railways have a romantic fascination for most adults. Only years of nursery conditioning can explain the calm with which the public has accepted a bill of £3,000 millions to subsidise British Rail over the last decade". (Note the GDP deflator for the year 1960, half way through the decade, was 5.723 compared with 100 for 2010–11. Hence the £3 billion for the decade translates to £52 billion at 2010–11 prices or to £5 billion per year).

17. *The Economist*, 15 June 1974: "The taxpayer is going to have to fork out more than £2 billion (£14.5 billion at 2010–11 prices) in the next five years to support British Rail. It ... means that nearly half BR's costs will be born by the taxpayer. In return there is little hope of any increase in the railways' contribution to Britain's transport: 8% of passenger miles and 19% of freight ton miles ... Spending on this scale will leave much less money for building roads".

18. Dan Pettit Chairman, National Freight Corporation, reported in *The Time* 17 October 1972: "One is not only saying that a rail haul generally has to be 250 miles to be economic, whereas more than 70% of freight movements in this country are no more than 25 miles; one is saying that railways are incapable of offering the kind of freight service society increasingly wants ... The car and the lorry have come to the rescue of the city ... the way the environmentalists in particular talk about the railways reminds me of the tale about the king's clothes. It is an exercise in mass self-delusion".<sup>(7)</sup>

### CONCLUSION

19. In the light of the above the beliefs expressed by Justine Greening and Philip Hammond, that rail is vital to the economy, seem misplaced if not entirely vacuous. Nevertheless those beliefs are held by the majority—a triumph of railway propaganda over reality. For that reason Sir Roy restricted himself to examining the railway as though it were perpetually bound to be nothing but a railway. Let us hope that the savings he identifies do not turn out to be illusory, but, whatever the case, a great opportunity has been lost.

20. Had Sir Roy interpreted his brief more widely he may have found that the railways are indeed the disaster that we paint above. He might then have canvassed for the more lightly used parts of this immense rail network—it is 10,000 miles long—to be converted to reserved motor roads, managed to avoid congestion via road pricing or otherwise.

21. If that were to be done, the trivial services offered by rail on those brilliantly engineered, almost flat and straight rights of way would be discharged by express coaches and lorries at a fraction of the cost of the train. Additionally countless thousands of other lorries and other vehicles would divert from the unsuitable rural roads and city streets that they now clog. The environmental benefit would be overwhelming, the tax burden

imposed on the nation by the railways would be converted to a profit and the many thousands of hectares of near derelict land that abuts railways, particularly the stations, would become intensely valuable.

22. If the taxpayer is to be rescued from the endless drain on resources that the railways are and to capitalise upon the benefits of converting elements of it to roads then those in power need to set aside preconceived ideas, and act in the light of the facts. We commend to the Committee that they should take note.

24. Those who disbelieve should contemplate the strategic road network paved with railway lines. The place would be at a near standstill, as are the railways in highway terms.

17 April 2012

#### REFERENCES

<sup>(1)</sup> National Rail Trends 2010–11 Year book table 6.2a, with prices adjusted to 2010–11 prices using the GDP market Prices deflator.

<sup>(2)</sup> In the text we showed that, including loans the subsidy to Rail was running at 6.2 billion per year. There were 54 billion passenger-km in 2010 and 19 billion tonne-km, providing a total of 73 billion (passenger + tonne) km. Division yields 8.5 pence per km. TSGB table 0117 provides capital plus revenue expenditure on the strategic road system of £4.16 billion in 2009–10. We estimated that the network carried circa 200 billion passenger-km and 95 tonne-km, a total of 295. Division provides 1.4 pence per km.

<sup>(3)</sup> TSGB table 0117 data for the year 2009–10.

<sup>(4)</sup> Equivalent express coaches per day:  $54 \text{ billion} / 20 / 365 / 31500 = 235$ . Lorries per day  $19 \text{ billion} / 12 / 365 / 31500 = 138$ .

<sup>(5)</sup> The values are obtained by dividing passenger or tonne-km by track length for rail or lane length for road. Eg for rail the average daily passenger flow is 54 billion passengers-km per year divided by 365 days and by the track length of 31,500 track-km = 4,700 passengers. For strategic roads we had 201.7 passenger-km per year and a lane length of 51,500 km. Hence the average daily flow is  $201.7 \text{ billion} / 365 / 51,500 = 10,730$ . Similarly for freight where there were 19 billion Tonne-km by rail and 95.8 tonne-km by the strategic road network.

<sup>(6)</sup> See transport-watch facts sheet 2 here <http://transport-watch.co.uk/fact-sheets.htm>.

<sup>(7)</sup> For many more in the same vein see topic 7 in the Transport-Watch web site here <http://transport-watch.co.uk/transport-quotes-1974.htm>.

### Written evidence from the Tyne Valley Rail Users' Group (ROR 11)

#### INTRODUCTION

The Tyne Valley line, which runs between Newcastle and Carlisle, is 62 miles long, and runs through urban, commuter and rural areas. It is used for commuter, leisure and shopping journeys, as well as for connections with long distance services at Newcastle and Carlisle. The line has considerable potential to serve an expanding tourist industry centred on Hadrian's Wall, a World Heritage Site. Rural railways are an important component of an integrated public transport system.

The Tyne Valley Rail Users Group was formed in 2000 to represent the interests of passengers using the Newcastle to Carlisle Railway. In that time we have worked with three franchise holders: Northern Spirit, Arriva Trains Northern and Northern Rail. In April 2014 it is likely that we will be working with a fourth franchise holder, possibly over a period like 15 years. The Rail Users' Group is a key stakeholder in the Tyne Valley Community Rail Partnership, which seeks to promote services along the line.

*What should be the Government's vision for the railways in 2020?*

What passengers expect from local rail services of the type provided on the Tyne Valley line is simply put:

- A timetable that provides services at times when people want to travel, to and from work, to shopping and leisure centres, to the places of scenic beauty along the line, and to cultural amenities at the major centres (including the return journey when the performance has finished).
- Trains that arrive and depart at the times specified in the timetable, are clean and comfortable, and have sufficient seats for the numbers of passengers travelling.
- Fares that are cost effective for passengers when compared with less environmentally sustainable modes of transport.
- Ticket retailing methods that suit the needs of passengers, and succeed in selling tickets on busy services.
- A staff presence on trains and at stations to provide security and reassurance.
- Integration with other modes of transport, particularly buses.

These are features of transport systems that citizens of other countries take for granted: there is not reason why the British people should not enjoy rail services of this standard.

In determining a vision for the railway in general, and passenger services in the North East of England in particular, we would like to use aspects of the present Northern Rail franchise to illustrate the pitfalls of the franchising process as it stands today. Overall we believe Northern to have performed reasonably well given the contractual constraints under which it operates. Nevertheless, what passengers actually experience is a lot less than their reasonable expectation.

#### Timetable

The Newcastle—Carlisle line has a timetable that, by UK standards, is reasonably good. During the day Monday to Saturday there is an hourly service between Newcastle and Carlisle and an hourly service between Newcastle and Hexham. Better services on Saturday night and Sunday would be appreciated by residents of the Tyne Valley, who would like to return home by train from Newcastle after a night at the Theatre Royal, the Sage, or any of the many other attractions that Tyneside has to offer. The obstacle to later trains on Saturday night is Network Rail.

In 2005, the Tyne Valley Community Rail Partnership, Nexus and Northumberland County Council commissioned a study of the line. The resulting report<sup>(1)</sup> made numerous recommendations, including the following:

- All trains to stop at Prudhoe, giving the station two trains per hour in both directions during the day.
- Extra early morning stops at Gateshead MetroCentre (recognising that shop workers need to arrive before shop opening times).
- The smaller stations west of Hexham (Haydon Bridge, Bardon Mill, Brampton and Wetheral) should have a roughly two hourly service, rather than the irregular service with long gaps.

Northern has implemented these recommendations, which entailed adjusting the stopping patterns of trains that ran already. The Prudhoe stops have been rewarded by a significant increase in passenger numbers.

There are some other gaps in the timetable that it has not been profitable for Northern Rail to fill. Prominent among these is that between the first train of the day (arriving in Newcastle at 06.55) and the second (which gets in at 08.04). There is a 07.30 Newcastle—Middlesbrough service which we have proposed could start from Hexham, plugging this gap. Our members have told us that the 08.04 arrival is often too crowded for comfort, but that getting in over one hour earlier is just too early. A train between these two would be well used by travellers. The existing franchise agreement has not made it commercially attractive for Northern to provide such a service. We are keen to see the new franchise given incentives to improve its offer to passengers by spreading the load during the morning peak.

#### Overcrowding

A transport need to which the railway is particularly suited is the movement of large numbers of people. This is most obviously the case for commuters travelling between their homes and places of work in the major conurbations. It is also true for sporting events, where fixture lists are known well in advance and appropriate provision should be possible. There are also special events, such as the Northumberland County Show held every May, and one-off events such as the BBC Radio 1 Big Weekend held in Carlisle in May 2011.

The current Northern Rail franchise was let in 2004 on a standstill basis, ie that the operator would be expected to run the existing timetable with the existing fleet. There was no provision for growth in passenger numbers, and no perceived ambition to cater for events requiring the carriage of large numbers of passengers.

There has been a steady but significant increase in the numbers of commuters, leading to regular overcrowding in the peaks. For a few brief months in 2007, the North East enjoyed the use of a few class 158 units.<sup>(2)</sup> These larger trains with more seats relieved the overcrowding on commuter services. Sadly, these units were then redeployed to Scotland. More recently, the North East has been allocated a single extra class 142 Pacer train, which has been used to double up the most overcrowded service in the morning peak.

Newcastle United home games attract large numbers of spectators from along the Tyne Valley, but local rail services do not cater for these extra passengers. This leads to services being jam-packed at best, and in recent weeks has led to intending passengers being denied boarding of trains.

The Northumberland County Show takes place annually on the Spring Bank Holiday. It results in heavy use of the train to and from the show ground at Corbridge, with passengers being regularly left behind. Provision for this event is usually limited to changes to the stopping patterns of trains to and from Carlisle that would not normally stop at Corbridge. There is seldom publicity for these changes.

The final example was a one-off occurrence, the BBC Radio 1 Big Weekend held in Carlisle in May 2011. Here passengers were treated to notices<sup>(3)</sup> advising that the number of passengers likely to be travelling would exceed the number of seats available, and also that the last trains from Carlisle would depart before the event ended.

*Will the reforms to rail franchises proposed by the Government deliver better services at lower costs?*

We believe that the present fragmented state of the railways contributes massively to their inflated costs. The McNulty report, far from simplifying things, proposes new groups such as the Rail Delivery Group as the means of driving down costs. We are sceptical that these groups will succeed.

A large element of the train operators' overall costs is that of leasing the rolling stock required to deliver the timetable. In the North East of England, Northern Rail uses class 142 Pacer and 156 Sprinter units. These date back to the 1980s, and the Pacer trains in particular have serious limitations that make them hugely unpopular with passengers and dangerous when overcrowded.

The rolling stock is leased from one of three rolling stock leasing companies (ROSCOs) that were created with the industry was privatised. The costs of leasing these trains is not public knowledge, but a BBC Radio 4 *File on 4* programme gave a figure of £144,000 per annum for each Pacer unit.<sup>(4)</sup> This can be compared with a new build cost of around £375,000. Had these units remained in public ownership, they would long have been considered fully depreciated.

A Competition Commission enquiry<sup>(5)</sup> into the rolling stock leasing market laid the blame for this situation on the way that DfT specified franchises. By defining the units that operators would be expected to use, bidders were left with a poor negotiating hand with the ROSCOs. The Government now proposes to give bidders more freedom to decide their rolling stock requirements. Given the shortage of suitable vehicles, especially diesel powered ones, it is not certain that this will make a serious difference to the outcome. It is notable that the Government has reserved the right to intervene if costs are not reduced.

It should be remembered that in putting together their successful bid for the Northern Rail franchise, its owners Serco and Abellio did propose the acquisition of new diesel units. This proposal was refused by the Strategic Rail Authority, at that time the body responsible for letting rail franchises.

*How should fares and ticketing be reformed?*

For the local journeys that account for the majority of tickets sold, the present arrangements do not cater well with passengers, not do they ensure that the operator collects all the revenue due to it. Apart from Hexham, the stations on the Tyne Valley line are unstaffed. There are ticket machines at Prudhoe, Hexham and Haltwhistle. At other stations, passengers must buy their tickets from the conductor. With only four minutes between some stations on the Tyne Valley line, it is difficult to collect all the fares at busy times. When the train is overcrowded, and there is physically no room to move, this becomes impossible even with revenue protection staff on board.

The installation of barriers at Newcastle Central Station means that passengers who arrive without a ticket must buy one before being able to exit the station. If a situation such as an overcrowded train is responsible, this is hardly fair on the passenger. The excess fare office on the platform side of the barriers is seldom manned, meaning that staff are obliged to let passengers without tickets out. Given the capital costs of installing the barriers, together with those of staffing them, it is hard to see that there is an economic case for their continued use.

We would be keen to see advance tickets (say scratchcards) available from local shops—simple single and return fares to popular destinations, eg Newcastle, MetroCentre, Hexham, Carlisle. Combined tickets with entrance to events such as Northumberland County Show at Corbridge, the Cumberland show at Carlisle, or attractions in Carlisle, Hexham and Newcastle could also be offered. Scratchcards are used in other parts of the world, are simple, and comparable with lottery products already on sale in the outlets we envisage.

It is important to stress that this initiative does not attempt to offer the complete range of destinations (which would not be possible) but would be additional to existing methods of ticket sale that would preserve the network benefits currently available. From the railways' standpoint, it is intended to improve revenue collection by taking some of the strain off the conductor. We would also like to see carnets—say ten journeys for the price of seven—to encourage those who don't need to travel every day onto the train. These tickets would be aimed at commuters, but would also be attractive to regular leisure travellers.

*What are the implications of the proposals for rail decentralisation and how should responsibilities be devolved to local authorities?*

Our Group's second pre-occupation is driven by what we perceive as the lack of management in North East England offered under present franchise arrangements. We have noted how the North East has become a repository of the class 142 Pacer trains. We note that Devon and Cornwall with a far less populous area to serve saw their last examples transferred to the North East in 2012. Around 2007 we were promised and for a brief while enjoyed the higher standard Class 158 train. They were moved to West Yorkshire and Scotland. In 2012 the government allowed Northern to obtain 100 additional carriages to cater for existing growth. Only one Pacer set (two carriages) came north of York. Additional instances of the lack of local management include long term issues of failure over revenue collection centred on commuting to Newcastle and the open access MetroCentre station. There is also a repeated inability to deal with extra demand like football travel, County Shows at rail connected stations, and seaside travel like the Bishop Auckland—Whitby Sunday train of 2011

(this regularly left scores of potential passengers behind at Middlesbrough). It is documented that people holding travel tickets have been unable to use them because of the systemic overcrowding. We suspect that the lack of local management has also stymied intended ticketing initiatives.

Northern Rail's current boundaries embrace Lincoln, Nottingham, Crewe, Chester, Carlisle and Berwick. This is a huge area with numerous conurbations. We noted with interest the DfT map on page 11 of the decentralisation consultation.<sup>(6)</sup> This shows our dilemma very well. Is not the business centre of the Northern franchise self evidently the Humber Mersey corridor? The map suggests that the North East area is indeed an island of Northern which it is, quite literally. There are no through Northern services south of Darlington or through Carlisle (save for Scotrail services between Newcastle and Glasgow). These operations are all run by one depot at Heaton in Newcastle.

The existing Northern franchise was envisaged as comprising five performance management units, one of which, Tyne, Tees & Wear, has the boundaries outlined in the preceding paragraph.<sup>(7)</sup> Once established, Northern Rail organised itself into three areas. Area North comprised the Tyne, Tees & Wear and the Lancashire & Cumbria performance management units. While based in Newcastle, many of the management team resided considerable distances away. Limited knowledge of the area is likely to have been a significant contributor to the shortcomings in performance noted in this submission.

We understand that Passenger Transport Executives and local authorities in the North of England have been approached by DfT with a view to commissioning and managing local rail services. We also understand that these authorities have expressed concerns about how costs, revenues and subsidies would be allocated to individual services. There are also considerable financial risks to the authorities if the level of savings expected by the McNulty review are to be made as part of the process. If bids for the Northern franchise or component parts of it come in higher than the amounts made available by DfT, then local authorities will be placed in the invidious position of having to make cuts in services, rather than the increases that will be required.

17 April 2012

#### REFERENCES

<sup>(1)</sup> Tyne Valley Rail Study, Final Report, Martin Higginson Transport Research and Consultancy, November 2005.

<sup>(2)</sup> Angel Trains leases 30 class 158 diesel multiple units to Northern Rail, Angel Trains/Northern Rail news release, 13 March 2007.

<sup>(3)</sup> Advance Warning! Overcrowding expected on all trains to Carlisle.

<sup>(4)</sup> Alan Whitehouse, File on 4, BBC Radio 4, 27 January 2004.

<sup>(5)</sup> Rolling Stock Leasing market investigation, Competition Commission, 7 April 2009 ([http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/non-inquiry/rep\\_pub/reports/2009/fulltext/546.pdf](http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/non-inquiry/rep_pub/reports/2009/fulltext/546.pdf))

<sup>(6)</sup> Rail Decentralisation: Devolving decision-making on passenger rail services in England, DfT, March 2012 (<http://assets.dft.gov.uk/consultations/dft-2012-10/main-document.pdf>)

<sup>(7)</sup>

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#### **Written evidence from Councillor Susan van de Ven, Transport Spokesperson for the Liberal Democrat Group, Cambridgeshire County Council (ROR 13)**

1. Given the demise of rural bus services, I would urge the strongest possible consideration to the value of small rural rail services, which often sit within key trunk routes and offer enormous potential for enhancement, not only in their capacity to provide basic access to essential services and opportunities, but also, an alternative to transport by private car.

2. A good, staffed station booking office can hold the key to recruiting and retaining regular rail travellers, often providing advice and versatility that ticket machines can't. At the very local level in rural communities, human relationships—not quantifiable perhaps—play pivotal roles and this is true at a good booking office where passenger confidence can be established.

3. Community rail partnerships and station adoption offer small but pivotal means for awareness raising and building passenger patronage, and should be strongly encouraged. Network Rail should play an active role in these ventures, alongside train operating companies and local transport authorities.

4. At present local transport authorities can leave the issue of rural rail services to the rail industry when in fact they should be playing an integral role in terms of providing high quality transport interchanges, negotiating concessions, and liaising between bus operators, community transport providers and train operators to foster integrated transport.

5. Sensible and fair one-way ticketing at 50% off the return fare should be available and would send out a positive message about ease of access to rail service.

6. Like any transport service, rural rail services will perform well if they are properly supported, and a well-performing business brings economies of scale. If neglected, rural rail services will follow the same path as rural bus services.

18 April 2012

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### Written evidence from the Chartered Institute of Logistics and Transport in the UK (ROR 14)

The Chartered Institute of Logistics and Transport in the UK (“the Institute”) is a professional institution embracing all transport modes whose members are engaged in the provision of transport services for both passengers and freight, the management of logistics and the supply chain, transport planning, government and administration. We have no political affiliations and do not support any particular vested interests. Our principal concerns are that transport policies and procedures should be effective and efficient and based, as far as possible, on objective analysis of the issues and practical experience and that good practice should be widely disseminated and adopted.

The Institute has a specialist Strategic Rail Policy Group, a nationwide structure of locally based groups and a Public Policies Committee which considers the broad canvass of transport policy. This submission draws on contributions from all these sources.

Q1(a) *What should be the Government’s vision for the railways in 2020, taking account of likely spending constraints?*

1. Assuming that the economy revives well before 2020 and that the predicted increases in population occur, together with a continuing increase in the use of rail for both passenger and freight:

- 1.1 Capacity will have increased in London and the South East with the completion of the Crossrail and Thameslink projects, both of which will have seen the introduction of new rolling stock and other technology led improvements.
- 1.2 More lines will have been electrified with associated changes in rolling stock and improvements in capacity; contributing to a more environmentally friendly railway.
- 1.3 Detailed work in preparation for the construction of HS2 will evidence Government’s commitment to rail as an important mode of transport.

2. The Government’s vision should be for:

- 2.1 A railway that puts the customer first, with operators responding continuously to improve the lot of their customers and to remove the barriers that prevent them from getting a better deal. In particular a network which is always available and services that are reliable, providing increasing value for money.
- 2.2 Continuing efficiencies in the cost of the railway through better use of the capacity both in the peaks and off peak, resulting in continuing reductions in operating subsidy in real terms depending upon government’s view of the balance between tax payer and fare payer (see below); a modernised and safe railway where the country has measurable social and economic benefits from the considerable and sustained public and private sector investment which has been made since the completion of rail privatisation in 1996–97.
- 2.3 Increasing sustainability of rail as a mode of transport due to improved use of capacity including more freight on rail. The extension of electrification of the network to the greatest extent feasible, including infill to allow increased electric freight operation and (although not within the control of the railway) more efficient and less carbon intensive power generation and transmission.
- 2.4 A continuing commitment to investment (including the facilitation of private sector investment where it represents value for money) including the High Speed Railway and in the connectivity of urban areas including through the encouragement of light rail and potentially tramtrain.

Q1(b) *How should the balance be struck between the taxpayer and the farepayer in paying for the railway?*

3. The Rail Command Paper states (paragraph 1.15) that “there will always be a strong case for subsidy for services which deliver wider social and economic benefits but which would not be commercially viable without taxpayer support”. We endorse this view and recommend that methods used to appraise investment projects, linked to data on rail fares and rail journeys, should be applied to decisions about changes to the level of fares and hence the proportion of the cost of the railway met by subsidy.

4. The Department for Transport (DfT) has recently codified its decision-making process for major investment projects, including an assessment of the economic benefits, in the Transport Business Case.<sup>5</sup> An

<sup>5</sup> <http://www.dft.gov.uk/publications/transport-business-case>

appraisal based on the principles set out in the economic section of the Transport Business Case will provide evidence of the wider social and economic benefits that are claimed in the Command Paper as relevant to decisions on the appropriate level of subsidy for the railway.

5. Economic appraisal is invariably used for all transport investment projects to help determine priorities for the DfT's capital spending and to inform decisions about the scope and extent of any proposal. However, we understand that economic appraisal is not used on a regular basis to inform decisions about revenue spending. Yet the same principles arise in the case of public spending on revenue support, which similarly result in costs to the taxpayer and benefits to transport users.

6. CILT suggests that decisions on the level of spending on subsidy for rail should be determined by the balance between the costs and benefits of that policy and the level of spending should be determined by setting this level so that it delivers broadly the same ratio of benefits to costs as is obtained for contemporaneous capital projects.

7. There are several effects that follow from subsidising rail fares, with the strength of the effect depending, amongst other factors, on the level of revenue support. These include:

- 7.1 A transfer of funds from taxpayers to rail passengers who would otherwise pay the full unsubsidised fare or, when the fare is subsidised, are attracted to rail from another mode, switch from a different journey or decide to make the trip. Cost benefit analysis in general as applied to transport schemes in England takes no account of any differences in economic or other circumstances between those who benefit from the project and those who fund it other than through valuing time savings at a single national average or equity value. Since one of the main effects of the subsidy is a transfer of funds between taxpayers and rail passengers, there might be a case for decision-makers being provided with information on these differences.
- 7.2 Rail subsidy tends to encourage people (i) who would in any case use trains to travel further by rail ie live further from their place of work, or (ii) to use rail rather than cars or (iii) make journeys they would not otherwise make. For the purpose of estimating changes in rail revenues on account of a change in subsidy levels, information on the fare elasticity of demand for a specific type of journey is sufficient. However, in order to make a case for subsidy, estimates are also required on what trips would be made and by what mode.
- 7.3 The transfer from car generally results in additional benefits, because of the reduction in road congestion. Less road traffic creates time savings to the remaining road users, as well as environmental benefits through reduced pollution and a general reduction in road accident costs. Some evidence exists from transport surveys on the likely extent of modal shift and trip redistribution from transport surveys; however, this evidence is less robust than the evidence on the overall elasticities of demand.
- 7.4 Further benefits from rail subsidies occur because of the effect of a subsidy in reducing transport costs and hence increasing the output of the economy through greater urban agglomeration and increased labour supply. These wider economic impacts have been estimated for most recent major rail schemes.
- 7.5 Lower fares and higher subsidy result in additional crowding on some services. Unlike the external benefits outlined in 7.3 and 7.4 above, the higher the level of subsidy, the greater are the costs of crowding imposed by passengers generated by the subsidy. There is evidence, again used in the economic appraisal of schemes to increase rail capacity, on passengers' willingness to pay to travel in less crowded conditions.

8. Changes in the level of demand on account of changes in the level of subsidy will, in many cases, result in train operators looking to change the level and pattern of services in response to the new pattern of demand. An assessment of the impact on economic benefits of the changes in demand that would follow from different scenarios about the level of subsidy would need to be accompanied by an analysis of the changes in train services that would be operated to accommodate that demand in the most efficient way.

9. Much of the data and evidence needed to estimate costs and benefits of different scenarios for rail subsidy are already available as part of the DfT's published appraisal guidance and the information provided to the DfT by train operators on the services they operate and on passenger demand. Estimates of how passengers respond to changes in fare levels, in terms of the alternative modes they would use and destinations they would choose, are less well understood although local transport models, including London's LTS model, could provide some evidence of these effects. CILT recommends that the Department exploits existing sources of data and models, including its recently developed Long Distance Model, and collects such additional data as might be necessary, to improve its understanding of people's choice of mode and destination for the types of trips for which rail is an option. A better understanding of these choices would provide the Department with better evidence about the wider social and economic benefits delivered by rail services.

*Q2 How are the targeted efficiency savings to be delivered? What will be the consequences?*

10. By 2020 a substantial proportion of the savings identified in the McNulty report should have been achieved subject to the outcome of the Control Period 5 Regulatory review which will set the efficiencies to



be achieved by Network Rail from 2014–19 taking into account the HLOS and SoFA to be published in July 2012. Alliancing and partnership arrangements between Network Rail and operators, including potential for cost/revenue sharing, are also intended to create a sense of joint ownership of key business decisions. The savings which can be achieved through re-franchising will depend on the DfT's franchising programme continuing and bidders' assessment of risk under the new form of franchise contributing to a reduction of cost and/or increase of premia.

*Q3 Will the reforms to rail franchises proposed by the government, including alliances, deliver better services at lower costs?*

#### Franchising

11. The principal change to the franchising regime is to make franchises longer, typically around 15 years, with the intention to create incentives on franchisees to invest, on the basis that the longer timescale will allow greater opportunities for financial payback and will reduce risk. At the same time the intention is to reduce the level of government prescription of the detailed management of the franchises, and to remove the existing system of support for shortfalls in revenue but link franchise payments to economic criteria such as GDP, in order to provide a degree of protection for franchisees regarding the major risks that are outside their control.

12. We believe these changes will bring benefits. But they do not address the fundamental issue of incentivising the franchisee to invest during the second half of the franchise period. The “cliff edge” effect is likely to remain. In particular, there is a risk that innovation could be stifled for extended periods. The Government needs to consider a suitable residual value formulation to encourage continuing investment throughout the franchises.

13. The West Coast invitation does not bode well for producing imaginative or cost-reducing solutions, as demonstrated by the minimum service specification having been set effectively at current levels, giving no scope for cost reduction by replanning services. A slavish devotion to the past will not release the latent capability of the market to produce patterns of operation that serve customers and business objectives better.

14. There is no evidence that Government will work with operators to enable them to achieve the potential reductions in labour costs ranging from changes in working practices and in pay and pensions which were identified in the McNulty report. Government should actively support TOCs that try to make such changes.

15. In the long term the franchise system may need more fundamental redesign, or even abandonment. Other models, drawn from European experience, could be considered—possibly resulting in fewer but more financially resilient service providers, able to take more risk. In the nearer term, the government should ensure that it retains sufficient flexibility to make changes within the period of the next set of franchises.

#### Alliancing

16. The Command Paper states that the alignment of Network Rail and the train operating companies is “the most pressing reform necessary to drive down costs for the railway”. It describes in general terms a number of alliancing measures, including the “deep alliance” already underway between South West Trains and Network Rail under which decisions about network maintenance and renewal are made jointly by a single management team. This particular form of alliance goes much further than simply the making of joint operational decisions by Network Rail and TOCs in joint control centres.

17. It is proposed that these practical arrangements will be mirrored by changes to franchise agreements and track access charges to create or align incentives between the operating companies and Network Rail. The success of the experiments will to a large measure depend on the skill with which these contractual arrangements are framed and the responsiveness of the industry bodies to the opportunities they present.

18. The Wessex alliancing proposals are instructive in showing a very clear intention to bring together the operation of the train service and of the associated routes and possibly the station management at Waterloo Station. It is the combination of collaborative governance structures and transparent financial incentives and disincentives which should achieve the improvements. Alliances need not be confined to new franchises, as the Wessex Alliance has shown.

19. There are potential downsides to alliancing. Too close a relationship between the main passenger TOC and Network Rail may be seen as a potential threat to the other users of the route, so this needs to be guarded against. Transparency of accounting, the basis of the new European railway structure, and the benefits this brings for public accountability and for the promotion of competition, must not be compromised.

20. It is much too early to say whether these experimental arrangements will in practice deliver better services to rail customers and drive down costs, but in principle the organisations working together seamlessly at an operational level does offer the prospect of greater efficiency and reducing the problems that arise at the interfaces of the industry's disaggregated structure.

*Q4. How should fares and ticketing be reformed?*

21. Operators value the ability to offer a range of fares, market pricing services to maximise revenue and helping to manage cost through charging higher prices during peak times when the cost of providing additional capacity is high and offering cheaper fares to encourage travel at off-peak times when spare capacity often exists. This approach should maximise revenue, minimise cost and thereby minimise the requirements on the taxpayer.

22. It is unlikely that the current level of ticket complexity is maximising revenue effectively. Price theory is built upon “perfect knowledge” and rational economic decision-making of those choosing to travel by rail. In a number of rail markets the current fares structure is often distrusted by passengers, it can be illogical or counter-intuitive and unlikely to maximise revenue.

23. The temptation to introduce new ticket types (without removing others) to target a particular market at a particular moment in time or to introduce new offers which have to work around fares regulation appears to have led to a tactical approach to fares setting, which itself may entrench and exacerbate fares complexities and fare anomalies. Fares regulation prevents regulated fares being offered at lower prices—needed to stimulate smartcards (as was done with Oyster).

24. Reflecting the importance of commuting in the provision of rail services, season tickets are the predominant ticket type used across the system and have (arguably) changed the least and are the most regulated. These factors appear to be connected and may point to supporting the way in which season tickets are regulated in future. Regulation was (and is) intended to protect commuters (mainly to London) from market abuse. However, in practice the fares charged have encouraged long-distance commuting. We believe there is a need for a full cost benefit analysis of the level and structure of fares, as outlined above. Government policy would need to take account of the effects of any change of policy on commuters (and their local communities).

25. The current arrangement for season tickets does not encourage off-peak travel, but there is doubt about how many passengers commuting to work are able to travel other than in the peak. If the fares for travelling in the peak are increased and workers are still required to arrive at work during the peak, either passengers end up spending more of their income on travel (and thereby having less disposable income for spending in other parts of the economy) or businesses have to give greater pay increases to their staff to offset the increases (dependent on how much pressure staff are able to put on their employers). It should also be noted that British Railways experimented with shoulder peak tickets and at the time they had little impact. CILT believes that more research is required into the number of commuters that would be able to transfer into the shoulder peak and off peak services.

26. While there have been actions by some operators to introduce off-peak and shoulder-peak season tickets—c2c Rail operated Earlybird and Flexitime season tickets (valid anytime except the high peak into London Fenchurch Street) for a number of years—a failure to include such tickets within the operator’s fare basket has seen them withdrawn at a later date, again affecting passenger confidence in the ticketing system.

27. The question of fares policy needs to be integrated with other issues such as housing and employment development. It also needs to be considered in the light of the whole journey. If there is pricing to move passengers to the shoulder peak, what does this do the transport network at the rail destination location? For example, moving to shoulder peak on the heavy rail network into London may mean a greater number of passengers travelling on the London Underground in the peak period.

28. The anticipated introduction and extensive use of smart ticketing technology to the railway is very welcome. With the ability to store credit on smart cards, there is the ability to introduce more flexibility to pricing. For instance, it would be easy to have shoulder peak fares with commuters choosing whether to pay the full peak fare on a daily basis instead of having to buy a ticket for one or the other. However, as has been seen in London, the transition to pay-as-you-go (PAYG) ticketing has been frustrated by the way in which fares are regulated, with the new PAYG product being unregulated whilst all “cash” peak singles and returns and season tickets (including Travelcard) are regulated. This made the proposition to deliver lower PAYG fares, while retaining all other products and fares, difficult to achieve. When TfL introduced PAYG through its Oyster card it also took the decision to increase cash fares under its control to incentivise passengers to use the Oystercard, an action not readily available to TOCs. Some regulatory relaxation may therefore need to be considered as the use of smartcards is introduced.

29. Outside of the peak there are arguments to move away from a capped regulated fare or to have a much higher cap but introduce airline style yield management prices with lower cost seats to reach a minimum yield level and higher prices when only a few seats are left. The problem here is that unlike the airline industry, rail passengers are not guaranteed a seat and most services allow standing passengers. Yet compulsory seat reservation would reduce the ability to cope with peaks in demand. Also many passengers even on inter city trains are making shorter journeys for which it may be unattractive to have to book in advance, and in any case compulsory advance booking reduces the attraction of high frequency which is a selling point of rail in the competition with the flexibility of car.

30. Nevertheless, many longer-distance journeys may now be undertaken at much lower prices using Advance Purchase ticketing, which is now commonplace on most longer-distance journeys, and is likely to offer the potential to both protect lower fares while minimising crowding/maximising the use of available

capacity (and therefore minimum cost). But the room for manoeuvre remains limited on particular services because of existing regulation. Regularly reviewing the time period in which regulated off peak fares may be used would be one way of easing the problem. From the customers' perspective, some of the penalties for using the "wrong train" may seem draconian (especially where this is a result of misunderstanding) and should be reviewed, although incentives to use less busy trains should remain.

31. The introduction of new fares (such as fare zones as a precursor to introducing smartcards) may be difficult without allowing for "step changes" to be made. It may, therefore be appropriate to consider mechanisms to "give permission" to allow fares to alter by more than headline regulation through application to the ORR to consider the economic and social case for making such changes. It may also be necessary to have a "two lane" process where existing users have a discount applied to moderate any economic effect of fare increases, given that they are effectively "captive" for a period of time ie time taken to relocate, look for alternative employment or to obtain pay increases to cover for the rise.

*Q5 What are the implications of the proposals for rail decentralisation and how should responsibilities be devolved to local authorities?*

32. Local control of rail service specifications and franchising should be a significant improvement on DfT central control. Local politicians and transport planners have a better detailed understanding of local issues. As an example of effective decentralisation, Merseyside's success with Merseyrail is a good start but could be taken further. The proposal to set up a "Northern Rail Authority" with reps from the five PTEs, Shires and Unitary Authorities could have considerable merit if it could be made to work effectively (it would have been much easier had regional authorities been retained). It would however need strong devolved powers from its parent authorities to avoid inter-authority arguments. It would presumably take on Northern Rail and probably TransPennine, whether or not they were combined. The relationship and responsibilities between it and Network Rail and other operators would need to be carefully specified to ensure that local needs are met.

33. Local development planners should also be involved, bringing transport and planning closer together. This is not helped by the current regional planning vacuum.

34. The local devolution of rail matters would require account to be taken of rail routes/sub-networks that extend across local authority boundaries, to ensure consistency of policies. This would be of particular significance with regard to unitary authorities, whose boundaries are generally more tightly drawn than those of shire counties. Arrangements similar to PTE former "Section 20" agreements for cross-boundary train services would need to be made. Similarly, long distance services, not controlled by local authorities, would need to be protected.

35. A key factor is funding. Decentralisation of responsibility for rail needs to be accompanied by transfer of capital and operating resources from central government—otherwise it will make local control responsible for presiding over major service cuts. Assurances are needed that the Treasury will back the plans with the necessary funds.

36. The alliancing issues considered in the previous question are important in the context of decentralisation. For instance, local authorities would need to have a clear understanding about the legal position on separation of management and accounting responsibilities for infrastructure and train operation under EC regulations. Would they provide funds for Network Rail expenditure associated with local services provided under an alliancing arrangement—and how would common costs and the costs of non local authority sponsored services be accounted for?

*18 April 2012*

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### **Written evidence from Freight on Rail (ROR 15)**

Freight on Rail, a partnership of the rail freight industry, the transport trade unions and Campaign for Better Transport is pleased to respond to the inquiry into the Reform of the Railways.

The impacts on rail freight do not easily fall into the suggested questions so the submission explains the positive and negative implications to rail freight of the reforms. Rail freight needs a national network which is managed nationally both because most rail freight flows are inter-regional and its competition has access to a national network by and large. Any new structure needs to incentive the promotion of rail freight by all parties to ensure that rail freight's interests are safeguarded.

#### **1. IMPACTS ON RAIL FREIGHT OF COMMAND PAPER**

While the Rail Command paper recognises rail freight's value in economic, environmental and safety terms, the restructuring plans to trial full vertical integration within the privatised model would be highly damaging to rail freight and will lead to more fragmentation. Rail freight's interests need to be safeguarded if the Coalition Government is to be able to meet its climate change and economic targets.

We support the Rail Command Paper's strong support for both existing and future rail freight services. It sets the scene for funding in the next rail spending round (HLOS) by recognising what rail freight needs to

thrive and grow ie expansion of Strategic Freight Network including diversionary routes, gauge and capacity upgrades. It also highlights the need for the right planning policies to get terminals of all sizes and the need for protection of strategic freight capacity, all of which is very welcome.

Rail Command Paper paragraph 3.15—One of the key future roles of the existing rail network will be to continue to support the growth of freight services, particularly for inter-modal containers. Our strategy is set out in the department’s Strategic Rail Freight Network policy. We aim to fund a targeted programme of investment designed to make the best use of the existing rail infrastructure and to support continued private sector investment in the industry. Where there is a business case, and subject to affordability, we propose to increase network capacity to accommodate forecast freight growth. HS2 will also release capacity on the existing network to enable more freight services to operate.

Rail Command Paper recognises that road freight does not pay all its costs:

Paragraph 4.49 Page 49 *Not all external costs of road freight are paid by users of the road network so there is a strong case for Government to continue providing support for the rail freight industry to create a level playing field.*

## 2. CURRENT CHARGING REGIME

Increases in rail freight charges would make it even harder for rail to compete with road freight. Rail freight charging principles set out in EU Directive 2001–14 state that freight operators should pay charges which reflect the costs that they impose upon the network.

## 3. RESTRUCTURING THREATS TO RAIL FREIGHT

However, as part of the re-structuring of the railways, its commitment to trial vertical integration in the privatised railway is a huge threat to rail freight. A fragmented model with more interfaces is no use for rail freight. Network Rail needs to work to ensure that freight’s interest are safeguarded. Under the present privatised model, separation of track and train must be retained to avoid passenger operators being put in charge of the track. The competition, ie road, does not face these complicated structures which will make it more difficult for rail to compete.

In particular, singling out Anglia routes for vertical integration tests is very worrying for freight given the importance of freight services out of Felixstowe and North Thames side to the economy. Changes which could threaten performance and thus the ability of the Focs to supply reliable services to their customers could be very damaging to rail freight. In some parts of the country this model could lead to conflicts of interest. The proposals for the Wessex franchise could be equally worrying for Southampton port.

There are fundamental questions on how services would be prioritised if the Tocs were in charge; Tocs would need to be incentivised to promote and increase rail freight flows. Any new structure must guard against intermodal freight trains sitting at red signals waiting to come out of Southampton and Felixstowe Docks. If the Focs are not able to provide a reliable and robust service to their customers, the traffic will revert to road leading to more road congestion and pollution.

It is therefore disappointing that Government is to continue to support trials of full vertical integration, going much further than the current proposals for alliancing which in themselves risk more interfaces and fragmentation.

The report considers a number of alternative structures for the infrastructure and train operator integration. The third option states that there is an option “to place responsibility for train operations and infrastructure management in an area in the same hands” (table 4.1 paragraph 4.6). Later, the report states “we agree that vertical integration could offer promising benefits in the longer term” (paragraph 4.27). We are strongly opposed to this type of vertical integration, as it could reintroduce all the issues of unfair competition, as well as potentially put one government funded train operator in charge of capacity allocation, that current European and UK legislation is designed to avoid.

## 4. RELATIONSHIP WITH ORR

Although third parties have the ability to appeal to ORR in certain cases, an approach which relies on appeals and arbitration is unlikely to deliver the commercial service which freight needs.

### *Regulatory protections for freight*

Both Government and the ORR are determined that any changes proposed to the structure of the industry continue to protect the interests of freight and other operators on the network. P45.

## 5. RAIL FREIGHT NEEDS A NATIONAL NETWORK

It remains crucial that the system operator ie Network Rail keeps all the timetabling, possessions and maintenance planning central. A key question is at what level in the chain of these operations are responsibilities devolved locally.

## 6. RAIL DEVOLUTION CONSULTATION

Questions remain on how to manage a devolved structure and what features would be retained centrally. At the moment devolution relates to specifying franchises. However were the DfT to start talking about devolving the network grant that is potentially serious for freight.

## 7. ALLIANCING

It should be noted that although the proposals as described for Stagecoach South Western Trains consultation do not constitute vertical integration, it clearly moves in that direction and risks splitting up the national railway network resulting in more interfaces.

## 8. WHY RAIL FREIGHT IS SO IMPORTANT TO THE ECONOMY, ENVIRONMENT AND SOCIETY

### *Congestion benefits*

Road congestion is now costing around £24 billion per annum according to the Freight Transport Association based on Government figures; a single aggregates train can remove a staggering 160 HGVs from our roads 3.

### *Environmental benefits*

Rail freight creates 70% less carbon dioxide than the equivalent road journey and a gallon of diesel will carry a tonne of freight 246 miles by rail as opposed to 88 miles.

Rail freight is safer than long-distance road freight using major roads, as HGVs are over three times more likely to be involved in fatal accidents than cars due to a combination of size, lack of proper enforcement of drivers hours, vehicle overloading and differing foreign operating standards. Source: Road Statistics 2010 Traffic statistics table TRA0104, Accident statistics Table RAS 30017, both DfT.

Rail freight is breaking out of its traditional markets into consumer business—Last year for the first time, consumer rail freight traffic was greater than coal traffic; it grew 29% in the past five years, despite the recession, its eighth consecutive year of growth. The industry predicts that rail freight overall will have doubled by 2030 with consumer rail freight growing 7.6% per annum during this period.

18 April 2012

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## **Written evidence from the South Yorkshire Passenger Transport Executive (SYPTe) (ROR 16)**

### INTRODUCTION

SYPTe supports the objectives for the reform of the railway network as set out in the Rail Command Paper published on 8 March 2012. These recognise the need to provide value for money for passengers and to improve the efficiency of the railway, particularly in the current fiscal climate. We support the identification of the role played by rail in supporting economic growth and change, as South Yorkshire's rail network enables people to access employment and businesses to connect to markets.

We have contributed to and fully endorse the pteg response that has also been submitted to the Committee on the reform of the railways. This response sets out the additional issues and challenges from a South Yorkshire perspective.

1. *What should be the Government's vision for the railways in 2020, taking account of likely spending constraints? How should the balance be struck between the taxpayer and the farepayer in paying for the railway?*

1.1 The Government's Vision for the railway in 2020 should seek to maximise its contribution to wider economic, social and environmental goals. In the current fiscal climate, it will be particularly important to realise the potential contribution that the network can make to economic growth and sustainable development.

1.2 To achieve this goal it will be of vital importance to ensure that in 2020 there is sufficient capacity on the network to facilitate such growth, rather than acting as a barrier to it. At the sub national level, the recently completed Yorkshire Rail Network Study<sup>6</sup> has shown that passenger numbers in Yorkshire increased by 65% between 1998 and 2011. Furthermore, this trend is projected to continue with passenger numbers forecast to grow by up to 37% by 2027. Consequently, a key challenge will be to ensure that there is sufficient capacity available on the network to meet this growth in demand. The study highlighted that improving connectivity and increasing capacity could generate economic benefits of up to £12.2 billion (over a standard 60 year appraisal period). Without investment, there will be severe levels of crowding on many routes in the Sheffield and Leeds City Regions by the 2020s, suppressing future demand and restricting economic growth.

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<sup>6</sup> Steer Davies Gleave (2012) Yorkshire Rail Network Study, Conditional Output Statement, Leeds City Region, Metro and South Yorkshire Passenger Transport Executive.

1.3 The delivery of high speed 2 (HS2) will help to alleviate capacity challenges experienced on more strategic services. In the 2020s, the conditions will need to be put in place in the local transport network to maximise and spread the benefits of high speed rail. However, with high speed services not currently being planned to be delivered to South Yorkshire until 2032–33 it will be important to continue to invest in improving strategic, long distance services on the East Coast and Midland Main Lines. Furthermore, we support the construction of a link from phase one of HS2 to the Birmingham—Derby Line and thus the Midland Main Line. This will enable the businesses and residents of South Yorkshire to benefit from access to high speed services from 2026.

1.4 Improving the quality of rail services provided in 2020 will also be important, to maximise the shift to rail from less sustainable modes of travel. For South Yorkshire, this will require the development and implementation of an appropriate strategy to improve the rolling stock in operation on local and regional services. The deadlines for Rail Vehicle Accessibility Regulations and Railways (Interoperability) Regulations should be seen as opportunities to replace outdated rolling stock, rather than continuing to refurbish outdated and life-expired stock.

*2. How are the targeted efficiency savings (£3.5 billion by 2019 on a 2008–09 base) to be delivered? What will be the consequences?*

2.1 SYPTE supports the need to deliver efficiency savings, but this should not occur to the detriment of service quality for passengers. Furthermore, the scale of savings outlined to be made by the Train Operating Companies (TOCs) may require difficult decisions on how to make best use of their funding in areas such as staffing, maintenance and fuel costs.

2.2 Some of the mechanisms set out in the Command Paper to increasing the productivity of the workforce are likely to be difficult to address, including the introduction of more driver only operations, which the industry has not tackled to date.

2.3 In the delivery of efficiency savings from the railway it will be important to consider the potential schemes that could ultimately save the Government money. For example, electrifying the Midland Main line from Bedford to Sheffield would save up to £60m every year in industry costs. Consequently, within 10 years of completion, the electrification of the line will have paid for itself and will continue to reduce the cost of rail to the taxpayer year on year. Upgrading and electrifying the line would also generate additional wider economic benefits of £450 million, by enabling businesses to be more productive.

*3. Will the reforms to rail franchises proposed by the Government, including alliances, deliver better services at lower costs?*

3.1 SYPTE supports the introduction of longer franchises, as this provides a valuable incentive for greater investment by TOCs. Whilst longer franchises inevitably require greater flexibility, due to the uncertainty surrounding the nature of services required in 15 years' time, the nature of the existing Northern franchise means that it requires high levels of subsidy. Consequently, it will be important to ensure that passengers in South Yorkshire do not suffer through an approach that concentrates on services offering better value for money. In reforming franchise specifications it will be important for the Government to ensure that the interests of passengers on more highly subsidised routes are considered, particularly in terms of the wider societal contribution of rail.

3.2 As well as franchise length, the Government must consider the specification and management of franchises and the appropriate strategies to deliver investment and other passenger benefits.

*4. How should fares and ticketing be reformed?*

4.1 SYPTE supports the introduction of smart ticketing and recognises the benefits of this approach. However, as noted in the pteg response it will be important that as in London the cost of the implementation of smartcards should be covered by national Government, rather than by local partners.

4.2 We strongly support the need to revise and simplify the national fares system, to make passengers more confident that they are purchasing the right ticket type. This should include putting an end to multiple tickets, which break a journey representing the cheapest option on some routes. This should also include having a consistent approach to the pricing and duration of peak periods, with clear guidance on these issues to be available for passengers. Until such fundamental issues are resolved with fares, SYPTE does not support the closure, or any significant reduction in the opening hours, of ticket offices. This is because the ticket machine technology does not currently always enable passengers to identify the cheapest fare. SYPTE has welcomed the introduction of the additional ticket machines at Sheffield Station, which enable passengers to more easily collect pre-booked tickets.

*5. What are the implications of the proposals for rail decentralisation and how should responsibilities be devolved to local authorities?*

5.1 SYPTE is currently working with the other four PTEs in the north of England to produce an expression of interest to be submitted to DfT in response to the consultation on Rail Decentralisation.

18 April 2012

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**Written evidence from Travel Watch North West (ROR 18)**

TravelWatch NorthWest is an independent Community Interest Company representing all public transport users in NW England. We are pleased to give our views as follows to this inquiry.

*1. What should be the Government's vision for the railways in 2020, taking account of likely spending constraints? How should the balance be struck between the taxpayer and the farepayer in paying for the railway?*

1.1 As 2020 is only eight years away and most significant railway investment takes very much longer, any vision can only be superficial and short term. There is a need to provide adequate capacity and focus more on the needs of regional railways addressing the challenges of overcrowding, reliability, punctuality, safety and comfort to encourage greater use of public transport rather than the car. Improvements in interconnectivity between various modes (airports, buses, parkway stations, etc.) should enable travellers to have confidence in the ability of a public transport system to take them where they want to go—end to end.

1.2 The balance between taxpayer and farepayer is already causing great hardship, specially for regular commuters and should not be pushed any further on the basis of energy conservation and carbon reduction. A transparent decision has to be taken as to whether the railway is to be a commercial operation or a social utility. The level of government subsidy, a result of the way the privatised railway is structured with too many stakeholders each taking their own profits, remains significantly higher than what it was under public ownership. This problem of high subsidy leads to the demand for a higher contribution from the fare box. Perhaps the real question is how to divert private sector profits into public investment?

1.3 The opportunity should be taken to examine European rail management to see whether any lessons can be learnt from the way that the farepayer/taxpayer balance is arrived at there.

*2. How are the targeted efficiency savings (£3.5 billion by 2019 on a 2008–09 base) to be delivered? What will be the consequences?*

2.1 It is difficult to see how £3.5 BILLION savings can be saved in SEVEN years time without fundamentally changing the structure of the industry other than by massive increases in fares or cut backs in services, neither of which is acceptable. Proposals to close some booking offices are likely to be counter productive, not save much and give rise to an increase in ticketless travel, hence losing revenue. Checking tickets on trains would probably raise more but not significant amounts. Closing ticket offices or reducing their hours of opening would be a false economy. Passengers like the reassurance of a personal presence and to be able to discuss their purchase with a helpful ticket clerk.

2.2 Similarly staff should not be withdrawn from station platforms which would be an open invitation to vandals and others at these stations which can be pretty busy at times of the day. Station staff perform many vital functions—they are ambassadors for the railway into the local communities, they are available to assist disabled and elderly passengers and their presence gives confidence to reluctant rail users.

2.3 Before setting a target of £3.5 billion, would it not be better to ask what savings would be achieved by a range of policy decisions? (and what the consequences of each would be).

2.4 Bureaucracy in the railway seems to be an enormous burden to costs and the waste needs to be eliminated. However, savings of this nature are likely to be unachievable in such a short term when the railway will be going through its most extensive refurbishment for decades, with escalating prices. A target by 2030 may be more realistic. It should also be borne in mind that increased passenger numbers equals increased income (and no doubt better bid offers by franchisees) and allowance for this should be set against the target savings needed.

2.5 With Network Rail costs widely reported to be 30% higher than maintenance costs on the continent, which must include a substantial percentage of high speed lines, a considerable contribution to the savings could be made here. It is however accepted that our loading gauge imposes constraints not found on the continent. A root and branch review of Network Rails costs is required and perhaps proper competition introduced to carry out contracts.

2.6 Network Rail's costs are perceived to be over the top and there are examples which show this to be the case. Here is an example from Grange over Sands.

A couple of years ago Network Rail decided that a very old crossing needed walling up to replace inadequate wire mesh fencing just off Grange promenade. Perhaps about ten feet of stone wall was required. How was this tackled? By the use of a national contractor who set up

a large secure work site in a nearby car park (rent to the council) with messrooms, toilet (public toilet at entrance to car park). They could access the railway by means of a locked and gated crossing off the car park onto the promenade or via the promenade. But they took a series of overnight possessions to use a rail trolley to ferry materials the 100 yards to the worksite and do the work (in sandstone, which is alien in appearance to the local limestone!). The cost perhaps £50k or more. The alternative—engage a local contractor who could safely work during daytime from outside the railway using the promenade for access, with a safety fence between wall and running line with no need to be on the railway at all. Cost perhaps £2,000 at most.

### 3. Will the reforms to rail franchises proposed by the Government, including alliances, deliver better services at lower costs?

3.1 Longer franchises (giving operators time to properly develop a business model) and the combining of operations and track on SWT are promising developments. However just what are franchises for? Passengers have little say in the competitive bidding process and there are few examples where competition really exists between operators, especially in the north. Franchises create barriers of various kinds between TOCs for the passenger—not least in the attitude of TOCs to other TOCs connecting services, covering for cancelled services, ticketing, etc. Urgent attention should be given to integrate franchises in order to reduce boundaries/barriers between them. There is a good case to lower bureaucratic costs and for operators to undertake some activities currently under the stewardship of Network Rail for example fully taking over stations enabling a commercial approach rather than just a maintenance responsibility.

3.2 Alliances should also eliminate the ludicrous arrangements whereby NR has to pay compensation to TOCs for engineering possessions, etc which are really for their benefit. This would encourage the maintenance of a rail service wherever possible rather than resorting to road replacement services which are not popular with passengers.

3.3 We are concerned at the proliferation of franchise bids from non-UK based companies. Any profits such companies make from UK taxpayers will only go to subsidising services in their home countries—so UK rail passengers are subsidising rail services in Germany, France and the Netherlands.

### 4. How should fares and ticketing be reformed?

4.1 The fares structure is perceived with its very wide variations (eg fares Manchester—London from £10 to over £350 depending on how, when and where) as being complex and difficult to understand. Simplification could help but it is important to retain the ability to purchase value for money journeys in advance to attract people from the roads. In reforms the following should all be considered:

- Wider use of smartcards may help, provided they are standardised across the network, inter operator and intermodal and provided they are not hastily introduced before their shortcomings have been rectified.
- Need for good marketing of end to end travel to encourage transfer from the car.
- Focus should be on keeping the railway affordable, whilst delivering attractive and incentivised fare systems eg multi journey tickets (carnets), discounts for 2+ travelling together. A standard distance based anytime fare would discourage rural passengers.
- We are concerned at the concept of paying more for peak travel to suppress demand. All TOCs should be encouraged to offer off peak deals.
- Individual TOC advance fares should be broadened to encompass franchise boundaries to be crossed and changes of operator en route—currently if fares on different legs are set by different operators such cheap fares are often not available. In relation to this the sum of a combination of tickets is sometimes less than the though ticket. A web based fare finder could result in wider use of ticket combinations and persuade TOCs to address such anomalies.
- The off peak single fare is often only pence less than the return fare whilst the anytime single fare remains around half the anytime return fare.
- Car parking charges at stations are a related issue as the high level in many places is a serious deterrent to passengers making shorter journeys by rail—unless they can reach stations on foot or by good integrated bus services.
- Passengers buying tickets with restricted availability should be supplied with a printed statement making clear what the availability is. However if they mistakenly board the wrong train they should not be required, as is the case now, to buy a new ticket without the option of receiving a credit for the cost of “invalid” tickets.
- Quality of journey should not necessarily be directly related to the level of fares. The relatively cheap level of fares in the North is used, wrongly we feel, as a justification for the paucity of investment in new trains. This region has a fleet of aging trains with virtually no new build since privatisation, whereas there is hardly a pre-privatisation trains running in the SE on local or regional services.



5. *What are the implications of the proposals for rail decentralisation and how should responsibilities be devolved to local authorities?*

5.1 Devolving franchise responsibility to local control is well worth exploring. Merseyside has shown the way with positive results. However it must be something much stronger than current LTAs if decentralisation is to be effective and properly co-ordinated and much wider geographically than present counties and metropolitan areas. There will need to be a totally multi-modal focus to ensure that areas do not become dis-enfranchised.

5.2 It will be interesting to see how closely Local Transport Bodies align with the consortia of Local Authorities and Local Enterprise Partnerships responsible for investments in infrastructure. As currently to be constituted they are just another unnecessary layer of bureaucracy.

5.3 The key to devolution will be funding—any devolvement can only work if adequate funding is guaranteed and local authorities not given a poisoned chalice of having to administer cuts.

18 April 2012

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**Further written evidence from Travel Watch North West (ROR 18A)**

**GOVERNMENT'S HIGH LEVEL OUTPUT SPECIFICATION (HLOS) FOR RAIL FOR 2014–19**

**INTRODUCTION**

TravelWatch NorthWest welcomes the investment package announced by Government in the HLOS announcement and the package of improvements, including electrification and implementation of the Northern Hub, in the North of England. We are of the opinion that this is well overdue and we would urge that the total package be implemented with all haste.

**ROUTES AND SERVICES**

However we do retain some concerns that rail lines that are not scheduled to be electrified, may suffer as a result. Already we have witnessed proposals to downgrade services in parts of the North West in favour of more intensified electrified services on main lines and transfer of rolling stock to alleviate overcrowding elsewhere by strengthening of train accommodation. The main example of this is the withdrawal of a number of direct trains between Barrow in Furness, Windermere and Manchester Airport, leaving passengers on these well used services to face the prospect of changing trains en route. We believe that these moves will be detrimental to travel and passengers will revert to car usage as it will be more convenient in many cases.

We are further concerned that, after completion of the total route electrification in the North West, priority will be given to electric powered trains on the 2 track pinch point section of line between Castlefield Junction and Manchester Piccadilly. This section will remain 2 track even when Platforms 15 & 16 are put in place so, with additional electric services from Yorkshire via Manchester Victoria using it, paths for diesel powered trains may get squeezed out especially taking into account the flat junctions at its western end of the section. It is vital that through diesel services from non-electrified lines to Manchester and the Airport are not terminated short of their present destinations as this would leave no through services whatsoever from places such as Barrow in Furness, Windermere, Southport and Blackburn. Direct trains on these routes are vital to these population centres and so there must be no prejudice against them operating “under wires” for their journeys.

To assist in retaining such services electrification should be considered to allow towns such as Morecambe (in need of regeneration) and Windermere (an outstanding environmental case for encouraging public transport rather than by car) to have through services to main nearby cities and airports. Logic would also dictate that electrification is extended to destinations such as Barrow, Hull and Middlesbrough to enable through services to operate. Research shows that the availability of through services is a major factor in attracting passengers to rail and this must be taken into account when pursuing what should be a rolling electrification strategy.

**ROLLING STOCK**

Adequate rolling stock to allow for continued passenger growth must be provided. We have a concern that the new electric trains for the Scotland—Manchester Airport services will hold only a few passengers more than current stock—hardly enough to cover present standing passengers much less growth. With Barrow and Windermere cut off from direct airport services the new trains will have to additionally accommodate these passengers as well as continually growing numbers for Lancaster and other calling points. Stock provision is therefore questionable.

Rolling stock displaced by the electric trains should be retained in the North West to strengthen services on other lines, rather than being cascaded elsewhere in the country. However much of this rolling stock will be close to life expiry at this point and so will need replacing. Traditionally new stock has been largely provided for the south and second hand sent north. This must not happen now. If growth in rail travel continues at its present level and with the need to stimulate the northern economy there must be a replacement programme in place to bring in *new* trains by the end of the decade otherwise there will be serious consequences.

## FARES

Every time we hear the good news about rail investment (witness the West Coast Main Line upgrade), we are then told by Government Ministers that fares must rise to pay for it. Already having to pay some of the highest fares in Europe, we believe that passengers will be angered, especially given the recent announcement that regulated fares will rise by an average of 6.2% in January 2013. Some commuters are not in a position to use other transport modes (others will give it serious consideration) but leisure travellers, who account for some 70% of train travel in the North West, will undoubtedly “vote with their feet”. Therefore, we believe that government must resist large fare increases and keep the railway affordable.

## STATIONS

We welcome the news on refurbishment of some stations like Manchester Victoria but believe that this programme must not be lost for other major stations requiring upgrades. We cite Preston as the most used intermediate junction station on the West Coast Main Line which is in dire need of overhaul. If passengers are to enjoy the quality of a new railway, then it must follow that the infrastructure that serves it must also be of equal quality. We recognise that this will take time, but if it is not programmed it may not happen within the next two decades.

## DEVOLVING RAIL TO THE REGIONS

Although we generally support the principle of decentralising the franchising role where appropriate<sup>7</sup> to give local people more say in these matters there is growing concern in the Shire counties and even in Tyne & Wear PTE that there is a danger that non-PTE areas may be marginalised and given secondary priority on rail matters and rail development.

23 August 2012

### Written evidence from London First (ROR 23)

1. London First is a business membership organisation with a mission to make London the best city in the world in which to do business. We do this by mobilising the experience, expertise and enthusiasm of the private sector to develop practical solutions to the challenges facing London. London First delivers its activities with the support of the capital’s major businesses in key sectors such as finance, professional services, property, ICT, creative industries, hospitality and retail. Membership also includes further education colleges and London’s universities.

2. We welcome the chance to address some of the questions posed by the inquiry. Our submission is based on the conclusions of the Commission London First established to examine—in the round—the capacity and quality of London’s transport infrastructure links with the rest of the UK and the wider world. Its report *London, Britain and the world: Transport links for economic growth* made recommendations for the short, medium and longer term to Government and others as appropriate. It can be found at [www.londonfirst.co.uk](http://www.londonfirst.co.uk).

*What should be the Government’s vision for the railways in 2020, taking account of likely spending constraints?*

3. The Government’s vision for the railways in 2020 should reflect the strong economic case for increasing the capacity of London’s key commuter and long-distance rail links, as well as their interchanges with London’s transport. Without new capacity, London’s ability to grow and extend the benefits of its economic success to the rest of the country will be undermined.

#### Underpinning economic growth

4. The rail network—and the connectivity it provides—enables national economic activity and spurs London’s dense agglomeration of activity. One billion of the total 1.4 billion rail journeys taken every year are made by commuters and business travellers. Three-quarters of all the country’s rail journeys start or end in the capital. A well-functioning rail network is critical to London’s economy, carrying large volumes of commuters to the heart of the capital at peak. Almost half of all those entering central London in the morning rush hour do so by rail.<sup>(1)</sup> Over 500,000 people enter central London by rail in the rush hour—fourteen times more than do in England’s next largest city.<sup>(2)</sup>

5. The last two decades have seen considerable and sustained public investment in the rail network to boost capacity and improve service quality. However, while London is well served by the range, frequency and, increasingly, the reliability of rail services, demand outstrips supply. Since privatisation, demand has risen by around 50% and there are few signs of diminution. Last year saw an eight% growth in journeys<sup>(3)</sup> across the country, while demand for services in and to London and the South East grew at almost twice this rate.<sup>(4)</sup>

6. A result of peak demand for services to central London outstripping supply is overcrowding.<sup>(5)</sup> The 10 most overcrowded rail services in the UK serve the capital<sup>(6)</sup> and the data, though not systematically collected,

<sup>7</sup> [www.travelwatch-northwest.org.uk](http://www.travelwatch-northwest.org.uk) Response to DfT consultation—Devolving Rail to the Regions—June 2012.

suggests that half of rail passengers travelling to London in the rush hour do so in conditions classed as overcrowded.<sup>(7)</sup> Overcrowding is apparent at all London's stations and on all services serving the capital. One effect of this is that over 90,000 rush hour commuters travel to work by train without a seat.<sup>(8)</sup>

7. As employment in London continues to grow, demand is set to rise. Network Rail estimates that demand for routes linking central London with the rest of the country will rise by 34% by 2031. Demand will outstrip supply, equivalent to almost 40,000 passengers every day being prevented from entering London in the rush hour. Without additional action, current overcrowding will worsen and future demand will not be met.

8. Planned investment—including the upgrade of Thameslink and the construction of Crossrail—is set to deliver much needed new capacity in London and the South East. But it will not be sufficient to meet forecast demand in the medium term, let alone the long term. And it will of course create additional demand, as people and employers relocate to take advantage of improvements. As demand grows, interfaces between the rail network and London's other transport networks—particularly the Tube—will come under further pressure.

#### Prioritising investment

9. Given likely spending constraints and faced with the challenge of delivering this capacity, Government requires a clear and consistently applied framework for prioritising the provision of the infrastructure most likely to yield the greatest contribution to sustainable economic growth. Assessing the total economic benefit of all transport infrastructure investment on a like-for-like basis—in terms of jobs, productivity growth and tax revenues—would provide a strong basis for prioritising public investment in rail in the next control period. Investment in rail links serving London will continue to be required.

10. Network Rail has identified an initial range of options<sup>(9)</sup> for increasing capacity on key routes serving London in the period to 2019.<sup>(10)</sup> These are principally incremental improvements to track, signalling, trains and stations rather than major new projects such as Thameslink. They are driven by analysis of growing demand, and the trend for commuting over longer distances, both from London's immediate hinterland and further afield.<sup>(11)</sup> Some of the areas in the UK that are forecast to see the fastest population growth are outside Greater London, but within 45–60 minutes of central London.

11. It is worth noting that in drawing these plans up Network Rail has begun to assess the wider economic benefits of schemes, alongside traditional welfare or user benefits such as time savings. It argues that when this has been done, “it is difficult to escape the conclusion that the true value of rail investment to the ‘real economy’ is not fully captured by current appraisal methods.”<sup>(12)</sup>

12. While increased rail capacity in London and the South East for the next control period should generally take the form of incremental upgrades rather than major new schemes, in the long term, new lines will be needed to bring a step change increase in capacity. The Government plans to achieve this by developing a new High Speed Rail (HSR) network linking Britain's principal cities. If HSR is to deliver its promise, help drive London's future prosperity and retain the support of London business, four conditions must be met. First, if we are to start, we must finish. The real transformative benefits of HSR come from linking a network of cities to London and to each other: first Birmingham; then Leeds/Manchester; and ultimately Scotland. Second, HSR must be an “and” not an “or”. This visionary, potentially transformative, grand project must be in addition to other vital work needed to upgrade the existing transport network, to address both historic underinvestment and to meet future demand. Third, the delivery of HSR cannot be a substitute for a coherent national aviation policy. An integrated approach to transport policy is required, ensuring HSR dovetails with the provision of sufficient runway capacity in the South East—at our national hub and elsewhere. Fourth, further investment in London's transport infrastructure must come in lockstep with any strategy for HSR if London is to cope with the increased numbers of passengers expected to arrive on high speed services. Proposals for a new HSR network should come with commitment from Government for a comprehensive strategy to reduce forecast congestion at Euston.

13. Further investment in the national rail network must come with greater policy and practical focus on improving the quality of interchange—whether from London's airports to surrounding road and rail networks or at London's major rail stations when passing between rail, Tube or street. Initial proposals put forward by Network Rail assume the completion of the Tube modernisation programme, which remains unfunded beyond this parliament. Analysis indicates the considerable wider economic benefits generated by completion of the Tube's upgrade. And of course the public case for investment in rail will be undermined if the hundreds of thousands of rail commuters arriving in London who rely on the Tube to complete their journey find their experience of improved rail services quickly forgotten on cramped, congested and unreliable underground services. In setting high level outputs for the rail network that serves London, the DfT should confirm the role the Tube upgrade programme will play in meeting demand from rail commuters.

#### Improving international rail links

14. The Government's vision should also incorporate recognition of the economic importance of London's international rail links. These links support London's access to international markets, both directly and indirectly. Directly, the high speed services to the Continent from London St Pancras International now cater for 80% of all journeys to Paris and Brussels. 2010 saw over nine million passengers travelling by rail to cross the Channel, a tripling of numbers in the last fifteen years. Indirectly, rail supports London's international

connectivity via the rail services that tie London to its major airports. A transparent mechanism is required for judging the trade-offs between express and commuter services to London's major airports as part of an overall strategy to improve access to Heathrow, Gatwick and the capital's other major airports.

15. In the short term, the growth of services on London's international rail links is unlikely to be constrained by limits on capacity. However, the European rail market is opening up to greater competition, giving Eurostar and others the opportunity to compete in domestic markets across Europe. At the same time new high speed rail routes are being completed on the Continent, including Brussels to Amsterdam, Brussels to Frankfurt and Paris to Strasbourg.<sup>(13)</sup> Regulation will require reform if it is to support growing competition and release the benefits greater choice can bring to passengers.

16. International services linking London to the Continent are overseen by the regulatory regimes of each member state. Performance regimes vary, in some cases do not exist, and there is little coordination of domestic and international rules. There is moreover a separate regulatory regime for the Channel Tunnel overseen by the Intergovernmental Commission (IGC). The IGC is set to undertake a review of these charges. We believe such a review should be part of wider efforts by the IGC to establish a transparent regulatory framework that promotes competition and the efficient use of capacity. It should complete its review of access charges to the Channel Tunnel swiftly to maintain the long-term stability and certainty required by existing concessions and needed to attract future investment. And it should bring greater transparency to the calculation of charges and the investment they support. In tandem, the Government should press for regulatory reform and modernisation to support a competitive market for international rail services, as it has done in modernising the economic regulation of UK airports.

*How should the balance be struck between the taxpayer and the farepayer in paying for the railway?*

*How are the targeted efficiency savings (£3.5 billion by 2019 on a 2008–09 base) to be delivered?*

17. Improvements to rail services over the last two decades have come at a cost—to the taxpayer through the growing subsidy to Network Rail and the Train Operating Companies and to fare payers who face, on average, higher fares than in other European countries. Despite a 57% growth in passengers since 1996–97, industry unit costs in 2009–10 are almost exactly the same. Over the same period there has been a 75% real-term increase in passenger revenues and Government subsidy has roughly trebled (to around £5 billion last year). The industry is running a £4.3 billion operating deficit.<sup>(14)</sup>

18. The funding for the railways is currently split roughly 50/50 between the taxpayer and the fare payer. Fare revenue raises around £6 billion a year, paying for around half of the industry's £12 billion annual costs. In response to concerns about industry costs, and the review led by Sir Roy McNulty (the McNulty Study),<sup>(15)</sup> there is now a broad cross-party and industry-wide consensus that there are limits to the contribution additional fare rises can be expected to make and that taxpayer subsidy of rail cannot continue to rise at current rates.

19. The McNulty Study concluded that the rail industry should aim to achieve an efficiency improvement of 20–30% by 2019,<sup>(16)</sup> equating to a drop in total industry costs of around £3 billion, from around £12 billion.<sup>(17)</sup> The industry's proposals for Network Rail's next control period state that efficiencies and continued revenue growth could reduce the cost of the railway to the taxpayer to £1 billion a year by 2019 (a 66% reduction compared with 2014).<sup>(18)</sup>

20. The industry's current proposals for investment in the next control period are based on the assumption that fares will rise at an annual rate of RPI plus one% for five years from 2014–15. We recognise that fare rises may need to make a continued additional contribution in future, but do not believe that the high annual increases currently being experienced are sustainable. At the same time, the delivery of essential new capacity on the national rail network will, for the foreseeable future, continue to depend on a significant contribution from public expenditure. The case for this subsidy will need to be accompanied by demonstrable improvement in services and significant efficiency improvements—without which the public case for continued contribution from fare payers will be weakened.

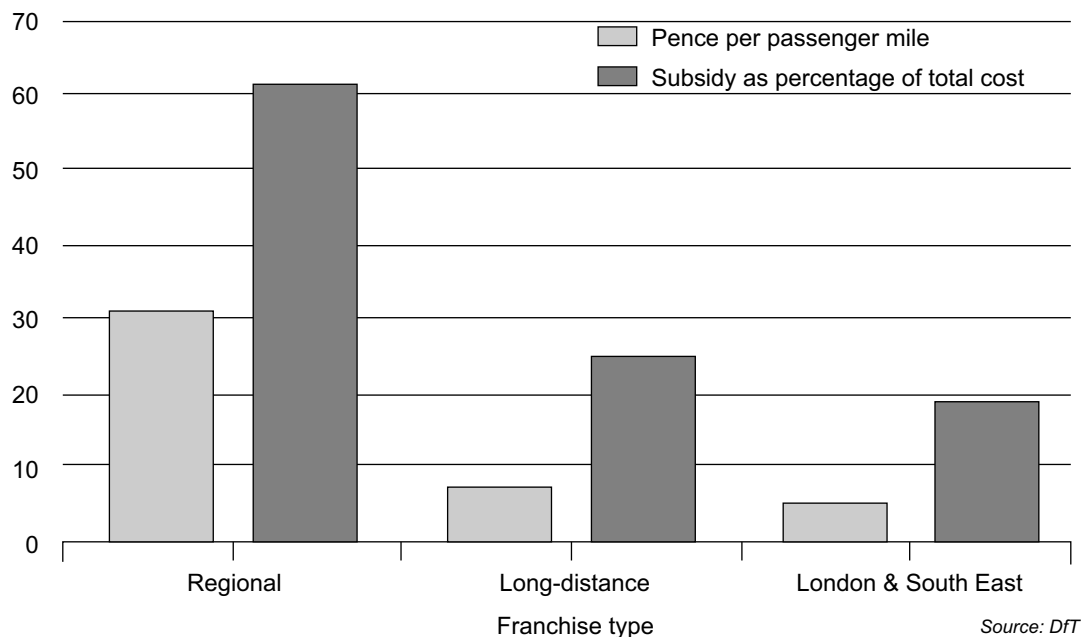
21. Services in London and the South East currently generate about half of all fare revenue and receive around a quarter of all public funding for rail. The chart in Annex 1 shows franchise costs across the country—costs here comprising train operating costs and Network Rail's operating, maintenance and long run renewal costs.<sup>(19)</sup> Franchises serving London receive the lowest subsidy in the country. Clearly it is for Government to decide whether savings from efficiency are reflected in lower subsidy or lower fares. We recognise that there are many services that do not cover their costs and will require ongoing Government support if service levels are to continue. In a world of constrained public finances, the Government should review those services which are used less intensively and require the highest levels of public subsidy—to see whether a better balance can be struck between a more appropriate level of support for infrastructure and operations, social equity and transport efficiency.

22. Progress must be made on achieving the cost reductions that McNulty set out. The regulator has a clear role to scrutinise industry plans for cost reduction and measure progress against them. Progress should also be communicated more widely, possibly by the newly formed Rail Delivery Group, which comprises industry leaders and has been tasked with prioritising and directing efforts to implement the conclusions of the McNulty

Study. And long-term policy certainty will be needed if publicly funded infrastructure is to be efficiently provided.

**Annex 1**

**NET COST TO GOVERNMENT OF RAIL FRANCHISES, 2010: PENCE PER PASSENGER MILE AND SUBSIDY AS A PERCENTAGE OF TOTAL COST**



18 April 2012

**REFERENCES**

- (1) 43% of peak journeys into central London; Travel in London: Report 3, TfL, November 2010.
- (2) National Rail Trends 2010–11 Yearbook, ORR, 2011.
- (3) 1,354 million franchised journeys were made in 2010–11, a 7.6% increase from 2009–10; National Rail Trends 2010–11 Yearbook, ORR, 2011.
- (4) In 2010–11, franchised passenger journeys in London and the South East increased by 9%, Long-distance by 5.6% and Regional by 4.7% when compared to 2009–10; National Rail Trends 2010–11 Yearbook, ORR, 2011.
- (5) Demand outstrips supply by almost 10% in the busiest hour. Total peak time capacity in central London is 775,000 passengers. Only 42% of peak capacity is supplied in the busiest hour between 8–8.59am. London and South East Route Utilisation Strategy, Network Rail, July 2011.
- (6) DfT statistics, based on autumn 2009 figures.
- (7) Increasing Passenger Rail Capacity, DfT/ORR/NAO, June 2010.
- (8) In the morning peak. Note that this measure gives an indication of the number of passengers standing at a single point. Figures are not publicly available showing the length of time passengers have been standing. For shorter journeys less than 20 minutes it is seen as acceptable to have passengers standing (provided the number is within the standing allowance).
- (9) Initial Industry Plan 2011, England and Wales, Proposals for Control Period 5 and beyond, Network Rail, September 2011.
- (10) Control Period 5 (2014–19).
- (11) London and South East Route Utilisation Strategy, Network Rail, July 2011.
- (12) Initial Industry Plan 2011, England and Wales, Proposals for Control Period 5 and beyond, Network Rail, September 2011.
- (13) here are also plans to deliver high speed links between Paris and Geneva, Paris and Barcelona, Marseilles and Germany, as well as to develop the northern European corridor.

(14) Passenger revenues minus costs.

(15) Realising the Potential of GB Rail: Final Independent Report of the Rail Value for Money Study, DfT, May 2011.

(16) Costs per passenger-km.

(17) As the McNulty Study states: Figures for potential cost savings are quoted on an “expenditure” basis, i.e. the savings would represent reductions in real expenditure, but would not necessarily translate directly into cash savings of the same amounts to government because of the accounting effect of National Rail’s RAB. Also, some savings would accrue first to others (National Rail and Train Operating Companies particularly) and would feed through to government only at Control Period ends or at franchise renewals.

(18) Initial Industry Plan 2011, England and Wales, Proposals for Control Period 5 and beyond, Network Rail, September 2011.

(19) Not enhancement or other capital expenditure which relates to future rather than current traffic; Rail Value for Money Study, Interim Submission to Secretary of State, September 2010.

### Written evidence from Mr David Hodgson (ROR 30)

I have some comments on the oral evidence session of 10 July 2012, which was broadcast on BBC Parliament Channel Saturday 14 July.

1. I believe David Mapp, ATOC, claimed that after allowing for inflation, there had been no *real increase in train fares* over the last 10 years. Given that in many of those years, fares have been allowed to rise by an RPI+.% formula his assertion seems intuitively and fundamentally unsound. So, I checked on a long distance journey I have been making regularly for over 30 years: Stirling–Sheffield.

In 2005, the off peak return fare was £79.70, by 2012 that had risen to £106.20, an increase of 33%. ONS statistics for the increase in RPI over the same time is only 23.1%. This gives an overall net increase above inflation of about 10% just in the last seven years. You may wish to question Mr Mapp more closely on his assertion.

2. There was also discussion as to whether the existing *fares structure* is *fit for purpose*. I suppose much depends on whose purpose is being considered. I make the journey referred to above (Stirling–Sheffield) some six to eight times per year, primarily to visit my parents who are now in their late 80’s. I also have caring responsibilities at home in Scotland, so the option of cheaper *advance purchase* tickets, which tie you to a specific time and train, are completely useless to me. I need flexibility to respond to whatever may be happening, either in Sheffield or in Scotland. So, it is pretty galling to catch trains, as I did recently, when virtually every seat was reserved (advance purchase passengers paying perhaps £15 or £20 for a seat), and I (having paid £106) had to stand all the way from Edinburgh to Newcastle. Is this fair? Should there not be a minimum, say 20%, of all seats which are NOT reserved, on long distance services?

In addition, I would welcome the option to purchase, at a suitable discount (!) a  *carnet*  style ticket for my regular journeys between Stirling and Sheffield.

Another aspect of fitness for purpose is the potential to achieve *modal shift*, something we have been told by various governments over the years is one of their priorities. However, it is now over 30 years ago that pricing for long distance rail travel was calculated according to the marginal cost of using a car, ie the cost of petrol. That link was broken by the Conservative government elected in 1979. Again, using my example of Stirling–Sheffield, the current cost of petrol comes in around £80–85, so the public perception will be that it is cheaper to drive.

Instead we have a fares structure, which Government advisers and some rail managers justify in terms of a) the passengers can afford it and/or b) pricing some people off trains, because the trains do not have enough capacity to carry the numbers of passengers who wish to travel. In this latter case, there has been repeated criticism of the Cross Country trains franchise, for over-pricing, because the vast majority of their long distance trains comprise only four or five coaches. I have witnessed severe over-crowding on Cross Country services. So it’s not really a question of whether the fares structure is fit for purpose, rather whether the trains are fit for purpose!

3. Statements were made to the effect that *subsidies per passenger* in London and the South East were considerably lower than the amounts on the “Regional Railways” network. Frankly, taken in isolation this is almost meaningless. The total numbers of passengers in London and the South East are considerably higher than elsewhere, on average, their trains are fuller and longer than elsewhere, and “Regional Railways” includes a number of long distance, sparsely populated routes (eg Cambrian Coast, Leeds/Carlisle, Cumbrian Coast, Carlisle/Newcastle). If there is any suggestion that some passengers or routes are more worthy of subsidy than others, this leads down the dangerous road towards completely closing services which some remote beauracracy decides is too expensive. I believe the committee should look at the whole question of “subsidy” in a more systematic, structured and holistic fashion.

I also felt it was thoroughly unhelpful to state that *on average* rail passengers are better off than bus passengers. So what! Is this supposed to imply there is covert discrimination to deny access to rail services for the less well off? Averages deny range and plurality.

4. There was discussion mainly with Geoff Inskip, Chair of the PTE Group, regarding *conflicts between local and inter-regional passenger services*, and a suggestion that the Northern Rail and Trans Pennine Express (TPE) franchises should be merged. Professor Nash agreed that there was a danger this would lead to greater focus on local services. This suggests that existing TPE inter-regional services (Manchester–Scotland; North West–North East, and North West–Humberside) end up in a bureaucratic no-mans land. As it stands, most of these services are now sadly down-graded from the days when they were fully fledged members of the British Rail Inter City Network. For example, there is only *one* return service each day at a ridiculously early hour giving a *direct* connection between Liverpool and Newcastle. It is suggested that a return to those days is long overdue. Genuine Express Services, strictly limited stop, 110/125 mph, would help to attract those long distance passengers, who don't want their services slowed by repeated stops at smaller towns en route. Maybe these services need to be set up as a separate micro-franchise, added to other long distance franchises or made the subject of an open access competition.

5. Lastly, Howard Smith from Transport for London claimed there was no problem regarding allocating *track priorities*, and in any case, control is exercised by ORR. In truth, the progressive intensification of services over the last 15 years, means that additional or spare train paths are becoming fewer, and on the busiest routes at the busiest times, there is no spare capacity at all. Thus, proposals for new services are likely to have only limited availability of train paths, which in turn may compromise their commercial viability. In Mr Smith's own area, there is concern from freight operators, that there will be insufficient paths on the North London Line, once the new container terminal opens and becomes established at Thameshaven.

I trust these points help to flesh out your Committee's thinking on how the railways will look in 2020.

16 July 2012

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#### Written evidence from Freightliner Group Ltd (ROR 32)

I am writing in response to your recent invitation requesting evidence following the publishing of the recent High Level Output Statement (HLOS) and Statement of Funds Available (SOFA). This is the submission of Freightliner Group Ltd ("Freightliner"). Freightliner is a logistics operator specialising in rail, currently the largest haulier of deep-sea containers in Britain, moving some 700,000 containers per year. Freightliner is also the second-largest overall rail freight operator, moving over 20 million tonnes of bulk goods by rail each year.

Freightliner welcomes the £9.4 billion investment that the Government is making in the rail network over the period covering the forthcoming Network Rail Control Period 5 between 2014 and 2019. It is pleasing to see that the Government clearly recognises the payback that an investment of this scale in the rail industry will have on the UK economy over the coming years. Continued investment to maintain an efficient rail network will play a vital part in stimulating the economy, as a key component of the UK transport infrastructure.

In the same way that the Government invests in the road network infrastructure, it is right that equivalent investment continues to be committed to the rail network. The HLOS announcement will be helpful in providing the necessary confidence to operators and other rail industry stakeholders in the private sector to be able to commit to long term capital investments, such as those currently being made by Freightliner (outlined later in this response).

Freightliner is pleased to see that the HLOS shows a balance between both passenger and freight as users of the railway in addition to specifically recognising the important role that freight has to play. This latter point is welcomed as all too often, the existence and importance of freight on the network is not always recognised, given its position as a non-franchised user of the network that operates on a purely commercial basis.

Alongside the HLOS announcement, Freightliner also welcomes the Secretary of State for Transport's guidance issued to the ORR on 16 July. In particular the guidance states that, "The Government wishes to facilitate the continuing development of a competitive, efficient and dynamic private sector rail freight industry and is committed to ensuring that policies and regulations should work to this end and should not create unnecessary transactional costs or other obstacles to the achievement of these objectives and future growth". Freightliner hopes that this helps support the continued growth of freight on rail and that future policy decisions taken by the ORR takes due cognisance of this guidance.

Of particular significance to Freightliner will be the £200 million allocation for the England and Wales Strategic Freight Network. This will enable the delivery of several key schemes such as the Peterborough North and Wigston Junction schemes along with the planned improvements to Ely North Junction.

Whilst the direct benefits of increased rail freight largely fall outside the railway balance sheet, the continued growth and modal shift will help delivering the following key benefits (based on Rail Freight Group research):

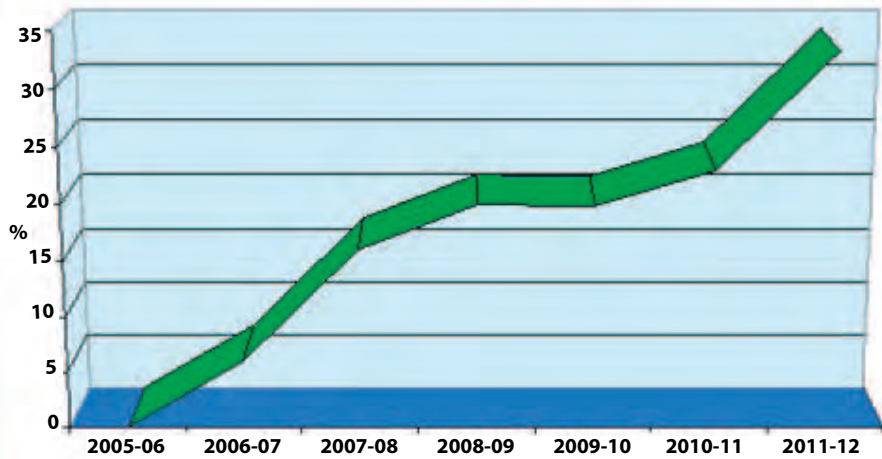
- Relieving road congestion: It is estimated that congestion on the road network costs the economy £7–8 billion every year. The average intermodal train removes 50 equivalent lorry journeys off the road.

- Reducing accidents: Since 1997 rail freight has saved 644 deaths and serious injuries by taking lorries off Britain's roads.
- Reducing carbon and other emissions: Road freight generates six times more carbon dioxide than rail freight per tonne moved.

Up to now, the development of a dedicated freight investment programme in the form of the Strategic Freight Network (SFN) has been a great success story for the rail industry, with the improvements delivered in the current Control Period 4 delivering immediate results. For example, the completion of Gauge Clearance for High Cube, W10 containers between Southampton and the West Coast Mainline has increased rails market share on this route from 30 to 36% within the space of a year.

Despite the economic downturn brought about by the recession, UK rail freight has maintained growth, with the Intermodal sector growing by nearly 35% in the last seven years, as shown in the graph below.

**Intermodal % growth since 2005**



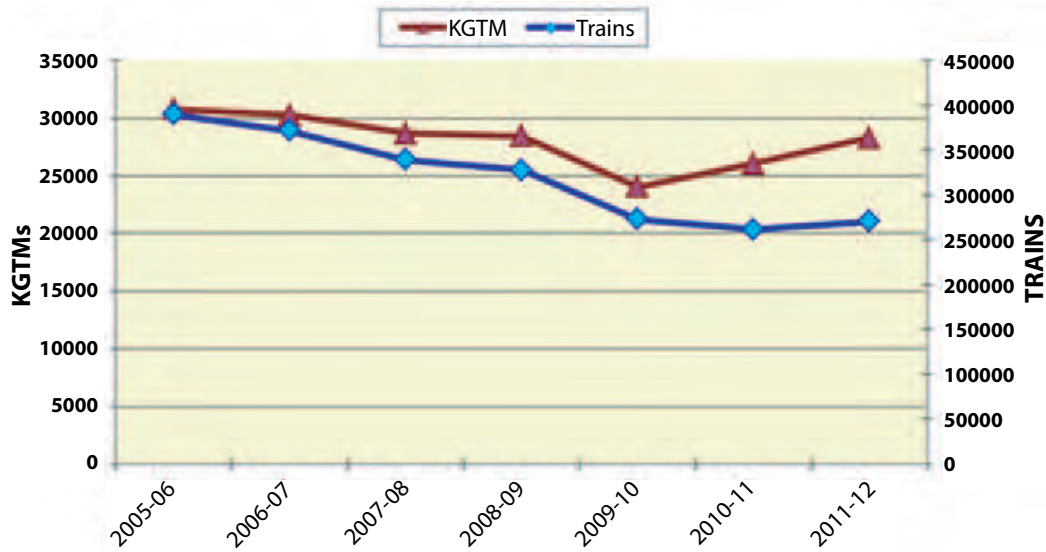
Source: ORR

UK rail freight post privatisation is a good example of how a highly competitive market place has forced individual operators to increase the efficiency of their operations and drive down costs wherever possible. This is not only to compete amongst themselves, but also with the road freight sector, which doesn't incur the same costs and level of regulation in order to access the road network.

Since the introduction of privatisation, the number of freight operator companies (FOC's) has increased from three (once they were consolidated) to the five that are currently in operation. Despite the growth that has been experienced, operators have been forced to become more efficient in their operations, in the face of this increased competition. The McNulty Value for Money study commented on how operators have achieved this, through its findings that staff per freight train km has been reduced by 36% since 1998-99.



A further example of the increased efficiency of rail freight is in the graph below which shows how freight tonnage per mile has been maintained since 2008 despite a reduction in the number of trains operated over the same period. An explanation behind this trend is the continual aim to increase train length and train utilisation as a means of increasing efficiency and utilising capacity on the network more effectively.



Source: Network Rail

Further investment in the rail network is now needed to provide both the capacity and capability to ensure that the continued rail freight growth trends can be maintained.

The announcement of further investment in the SFN for CP5, in addition to a dedicated fund for Scotland will assist in delivering the following:

- Gauge clearing further sections of the network in addition to necessary diversionary routes that will allow operators to provide a reliable service to customers and facilitate further growth within the deep sea container market.
- Modification to network infrastructure to accommodate longer 775m freight trains, which will increase the utilisation and efficiency of freight on the network.
- Development of electrified routes linking the key ports and terminals that will make the increased use of electric freight traction more viable for operators.
- Creating the necessary capacity that will allow the forecasted doubling of freight tonne kilometres between now and 2030 to be accommodated on the network.

Following the announcement of the HLOS, it is vital that Network Rail fully engages with passenger and freight operators to work through the detail in order to obtain the best possible value for money from the schemes committed for CP5 as well as to ensure that the schemes are delivered in the most efficient manner. Furthermore, with the volume of work due to take place, it is important that any synergies between the main schemes and those specific to the Strategic Freight Network are identified to again ensure that maximum value is delivered. For example, considering the feasibility of incremental gauge clearance on the back of electrification of routes.

Freightliner recognises the important contribution that other rail freight industry stakeholders can make in utilising the investments that are being made by the Government, through continued increases in efficiency and reduction in costs to maintain the competitiveness of the market. Freightliner is committed to a programme of significant capital investment to drive our own efficiency within the market place, examples of this include:

- Introduction of new Class 70 locomotives, capable of hauling longer trains with the ability to make use of the investment by Network Rail to deliver 775m capability of the network infrastructure.
- New “Shortliner” wagons in response to the market trend of greater use of 40ft containers. These new wagons will increase the number of 40ft wagons on a standard train by 42%, consequently delivering improved train load utilisation and enabling capacity on the rail network to be used more efficiently.
- Investment in new cranes at Freightliner’s terminals at Manchester, Birmingham and most recently Southampton. Once fully operational, lift capacity at Southampton will increase by 80% and assist in making full use of the additional capacity and capability that will be offered for the deep sea container rail market once the Network Rail investment between Southampton and the West Coast Mainline is completed.

The HLOS announcement also includes funding for several key electrification schemes including the “Electric spine”, linking the Port of Southampton to the West Coast Mainline. The electrification of one of the key freight corridors is the first stage in a medium to long term strategy that will help in increasing the proportion of electrically hauled freight on the network although to facilitate the next stage of planning must focus on the following freight specific issues:

- Electrification of diversionary routes to ensure that freight operators are able to inject further electric locomotives into their fleet without incurring additional inefficiency by having to maintain numbers of diesel locomotives (which would otherwise be necessary).
- Electrification of terminals and network infrastructure such as sidings, loops and other freight yards.
- Addressing the issue concerning the higher costs of electric traction vs diesel (currently one of the reasons which prohibit its greater use).
- Consideration of further routes for electrification—this could then lead to more electric locomotives being purchased if the commercial business case can be made.

In addition to the schemes announced within the HLOS, the issue of changes to Access Charges are emerging as key to the freight operators as CP5 approaches.

The ORR’s proposals to increase overall Access Charges that freight operators are liable to pay will not only lead to a decline in rail freight but also add further complexity to the charging structure. The proposals are in direct contravention to the Secretary of State for Transport’s guidance to the ORR which states that, “Rail freight needs a simple consistent charging structure to give its customers and the industry confidence to invest long term”. The degree of uncertainty that these changes will bring about will leave stakeholders including the operators and customers with no confidence to commit to long term capital investments necessary to develop future rail freight business.

Freightliner has concerns surrounding the ORR’s interpretation of “what the market can bear”, in terms of increase to Access Charges. This appears to equate to a reduction of up to 10% of the market, directly caused by access charges. Whilst the proposals are only limited to certain market sectors, such as ESI Coal, Spent Nuclear Fuel and Iron Ore, the impacts are likely to affect the viability of an operator’s overall business, with costs increasing. There is also likely to be a reduction in the jobs of train crew and other staff as it won’t always be possible to transfer resources to other existing and new business. We are concerned that the wider impacts to the rail freight industry and other markets have not been evaluated, and the ORR has given too much focus to the impact and incentives on the railway without fully considering the impacts of these proposals.

Freightliner would hope that the ORR does not proceed with these proposed changes and has serious concerns about the future viability of the industry should they go ahead.

6 August 2012

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### **Written evidence from Skipton and East Lancashire Rail Action Partnership (ROR 33)**

My submission is about the practicality of getting around by rail, from A to B or C or D.

#### **(a) MISSING LINKS**

Like myself, many people travel all over the UK by rail. We have to make long detours because of “Missing links”. 90 mile detours wouldn’t be tolerated on the road network and indeed that has been the case where major bridges have been built to replace ferries.

The DfT says it is down to Local Authorities to identify need but many are road orientated and so tend to be unwilling or occasionally put blocks in the way but even if sympathetic go with the least costly schemes as they are strapped for cash.

With road, Local Authorities instigate all but the most major of road schemes. But the road network was not decimated as the railway network has been.

Local Authorities also only represent their own residents but rail users from all over the country want to travel all around the country. Our ability to travel without huge detours should not be blocked because a local authority is not interested. There is also a problem where missing links cross Local Authority boundaries.

For this reason, rail needs an overall UK strategic investment, not just at major projects such as HS2 but at missing links and communities unserved by rail. It shouldn’t be down to grass roots voluntary groups like ours to have to press for change. New roads are built without any such grass roots voluntary groups campaigning for them. Certainly no new road scheme has had a fraction of the support our campaign has mustered (1). As our former MP Gordon Prentice argued many years ago, there should be a dedicated team in Government researching and investing in rebuilding the missing miles of railway.

I would like to suggest your Committee could build up the picture around the Country by taking evidence specifically on missing rail links and the effect they have on communities and their development, economically, environmentally and socially. If you were to do so, we would very much like to be involved.

As of 8 August 2012 the campaign to re-open the Colne to Skipton missing rail link has the support of 193 MPs, 49 MEPs (68% of UK MEPs), 101 Members of the House of Lords, 500 Councils, 176 NGO's and 151 organisations and businesses. We are frequently asked, with that level of support, why isn't it happening?

(b) CONNECTIONS

Another problem with getting around is connection times and this is particularly difficult where services are hourly or less. As an example, until we get a modern railway with the reopening of the Burnley–Colne–Skipton missing rail link, the East Lancashire stations of Colne, Nelson, Brierfield, Burnley Central and Burnley Barracks have awful connections.

- (i) to travel east to Leeds and Bradford, you have to travel west to Accrington. As your train approaches Accrington station you see the Leeds train pulling out and you have to wait 58 minutes for the next train. Coming back, slightly better, you have 53 minutes to wait;
- (ii) to travel south to Manchester, there is a 30 minute wait at Blackburn going but what is especially galling is coming back your train from Manchester is held at the points outside Blackburn and you see the Colne train trundle across. When you get into Blackburn station the Colne train has just set off. Journey time home from Manchester (just 30 miles away) 2½ hours for a journey that in the 1960's took just 1 hour;
- (iii) to travel south to London, a 58 minute wait at Preston for the connection;
- (iv) to travel north to Glasgow a 41 minute to 53 minute wait at Preston for the connection; and
- (v) to travel north to Edinburgh, a 58 minute wait at Preston for the connection.

Progress, East Lancashire style, then and now:

- In 1950 best journey time Colne to Liverpool was 1¾ hours, now it's 2¾ hours to go 58 miles, an hour longer.
- In 1950 best journey time Colne to Manchester was 1¼ hours, now it's 2 hours to go 32 miles, 45 minutes longer (and 2½ hours back).
- In 1950 best journey time Colne to Leeds was 1¼ hours, now it's 2¾ hours to go just 32 miles; 1½ hours longer.

It almost feels like someone "up there" doesn't like those of us who use the Colne branch. Surely they're not trying to run it down so that they could close it?

My question for the committee in this regard is, how can a member of the rail travelling public have any influence on timetabling? Who do we contact about it? A simple 2 minute alteration in the timetable would solve many of these problems outlined above and I'm sure this will also be the case around the country.

August 2012

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**Further written evidence from Skipton East Lancashire Rail Action Partnership (ROR 33A)**

INTRODUCTION

1. The Skipton—East Lancashire Rail Action Partnership ("SELRAP") was established in 2001 as an umbrella group of individuals and organisations campaigning for reinstatement of the former railway line some 11.5 miles in length between Colne (in the borough of Pendle, Lancashire) and Skipton (in the district of Craven, North Yorkshire) for both passenger and freight traffic.

2. SELRAP welcomes the opportunity to respond to the Transport Select Committee's Call for Evidence on the High Level Output Specification ("HLOS") published by the Department for Transport on 16 July 2012. SELRAP trusts that the Committee will find the comments set out below of assistance, and will be pleased to provide any further information or clarification required upon request.

SELRAP'S RESPONSE TO THE HLOS ANNOUNCEMENT

3. SELRAP welcomes and supports the broad thrust of the HLOS announcement and in particular the following statements [*references are to the numbered paragraphs of HLOS*]:

- "The Government's vision is for dynamic, sustainable transport that drives economic growth and competitiveness ... putting the customer and businesses at the heart of transport." [*HLOS 1*]
- "The Command Paper set out how our passenger and freight railways support Government's overall transport vision by supporting economic growth, facilitating business, commuting and leisure journeys, providing a greener transport option than road and aviation, and relieving congestion on our road network." [*HLOS 2*]

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- “This Statement ... is framed against the background of forecast further strong average growth during CP5 of 16% in passenger demand and 23% in freight. It includes £5.2 billion of infrastructure enhancements already committed for CP5 to reduce crowding, cut journey times, increase efficiency and improve the passenger experience.” [HLOS 4]
  - “The third strategic priority is to facilitate commuter travel into major urban areas, helping to expand the effective labour market, and helping people to access a wider range of jobs. ... The HLOS sets out peak city demand to be met; designed to support economic growth in ... Yorkshire, North West ... [T]his investment is expected to unlock major economic benefits in the economies of the northern cities and conurbations.” [HLOS 9]
  - “[The Secretary of State] wishes the railway to continue to develop its capacity and capability to support economic growth by improving connectivity and meeting key elements of forecast demand growth.” [HLOS 14]
  - “The Secretary of State wants to see a significant increase in the carrying capacity of both the freight and franchised passenger railway, to reflect the growth in demand and to relieve crowding.” [HLOS 24]
  - “The incremental passenger capacity to be delivered is specified in a Capacity Metric, setting out the numbers of ... passengers to be accommodated at ... Leeds, Manchester ... across the three-hour morning peak and across the one-hour high peak.” [HLOS 25]  
[Appendix A shows growth in the three-hour morning peak from 25,400 to 30,500 at Leeds, and from 28,100 to 34,300 at Manchester; and growth in the one-hour high peak from 13,000 to 15,800 at Leeds and from 13,600 to 16,200 at Manchester.]
  - “The Secretary of State wishes the industry to develop and deliver ... the ‘Electric Spine’, in order to increase regional and national connectivity and support economic development ...” [HLOS 34]
  - “The Secretary of State recognises that ... the route between Walsall and Rugeley ... has regional and strategic value ...” [HLOS 42]
  - “The Secretary of State wishes to fund completion of the Northern Hub ... to meet the increased commuter demand into Manchester ...” [HLOS 46]

4. The references set out in paragraph 3 above mirror SELRAP’s view that the railways of Britain must be considered as a network, every part of which has a strategic value in providing the regional and national connectivity which the HLOS announcement rightly regards as important. SELRAP would suggest, however, that inadequate attention is paid in the HLOS announcement to the following matters:

- the fact that (despite considerable work in lengthening trains and/or platforms) many parts of the existing rail network are already operating at or close to capacity, and accordingly are unlikely to be able to meet the targets called for in the HLOS announcement, particularly the forecast growth during CP5;
- the fact often overlooked that (conversely) many parts of the existing rail network have spare capacity which is not being used to its full potential, and accordingly would be able to play a role in meeting the targets called for in the HLOS announcement;
- the fact that many areas do not at present have any (or any adequate) access to the existing rail network, and accordingly will derive no benefit from the improvements called for in the HLOS announcement; and
- the benefits which would accrue by selective re-openings of former railway lines which have been closed (or are now operating for freight only).

The shortcomings mentioned in this paragraph may be demonstrated by consideration of a case study in relation to the former railway line between Skipton and Colne.

#### A CASE STUDY

5. Historically, the former railway line between Skipton and Colne (a mere 11.5 miles in length) formed a small but strategically important part of a through route linking:

- the west coast main line with the east coast main line,
- west coast ports with east coast ports, and
- the conurbations of Lancashire with those of Yorkshire.

The line was closed in the early 1970s, and subsequently the previously double track section of line between Colne and Gannow Junction (Burnley) was singled. The “missing link” represented by the former railway between Skipton and Colne constitutes a gap in the rail network which prevents that network operating to its maximum efficiency.

6. Closure of the line between Skipton and Colne has not seriously affected rail services on the Yorkshire side of the Pennines, as the through route from Leeds to Carlisle (via Settle) survives. Indeed, the line from Skipton to Leeds and Bradford has enjoyed a renaissance following electrification in the 1990s. With its 15 minute frequency throughout the day, the railway is estimated to carry 75% of the commuter traffic into Leeds from the Aire Valley, where property prices have risen significantly following the improvement in the rail service.

7. In marked contrast, closure of the line between Skipton and Colne has had a direct and deleterious effect upon rail services on the Lancashire side of the Pennines. Gone are the fast and frequent direct services from Colne to Manchester serving Nelson, Burnley and Accrington, being replaced by an hourly stopping service to Preston, which fails to provide convenient connections to Manchester. Commuter traffic by rail to Manchester from much of Pennine Lancashire is virtually non-existent, while commuting by rail to Leeds from Colne, Nelson and other communities of Pennine Lancashire is impracticable.

8. The surviving railway between Colne and Gannow Junction (Burnley) is a prime example of a section which has spare capacity and is not being used to its full potential. If restored to double track in conjunction with reopening the line between Skipton and Colne, it could accommodate significantly more traffic than it currently carries. The reinstated railway would be particularly suitable for freight, given that the route is largely free of tunnels and gradients.

9. It is ironic that while the existing railway between Colne and Gannow Junction (Burnley) is not being used to its full potential, just a few miles to the south is a railway already operating to virtually the limit of its capacity, namely the line from Manchester to Leeds via Stalybridge and Huddersfield (the Standedge route). Reopening the line between Skipton and Colne as part of an alternative through route between Lancashire and Yorkshire would relieve pressure on the Standedge route by allowing the diversion of freight traffic and removing many passenger journeys—for example, between the Aire Valley and Manchester or its airport, which currently have to be made via Leeds. Further, it would provide a diversionary route which could be used to reduce disruption when the proposed electrification of the Standedge route is carried out.

10. Quite apart from its role in relieving pressure on the Standedge route, reopening the line between Skipton and Colne as part of an alternative through route between Lancashire and Yorkshire would afford access to rail services in areas which currently enjoy no access to any rail services or no access to any useful rail services. For example, it would be possible:

- to connect communities currently having no access to rail services at all—Earby and (by means of a feeder bus service and/or park and ride facility) Barnoldswick,
- to connect communities currently having no access to any useful rail service—Colne, Nelson and other communities of Pennine Lancashire,
- to provide (in conjunction with the soon to be restored Todmorden curve) an efficient, economical and environmentally friendly commuter link to Greater Manchester from Colne, Nelson and other communities of Pennine Lancashire, as well as from the Aire Valley,
- to provide (in conjunction with the soon to be restored Todmorden curve) an efficient, economical and environmentally friendly link to Manchester airport from Colne, Nelson and other communities of Pennine Lancashire, as well as from the Aire Valley,
- to provide an efficient, economical and environmentally friendly commuter link to Leeds from Colne, Nelson and other communities of Pennine Lancashire, and
- to restore the strategically important through route between the west and east coast main lines, between west and east coast ports, and between the conurbations of Lancashire and Yorkshire.

11. Reopening the line between Skipton and Colne as part of an alternative through route between Lancashire and Yorkshire would provide additional non-transport related benefits:

- by providing a much needed catalyst for the regeneration and economic development of Pennine Lancashire, for example by ensuring that residents in areas lacking employment opportunities are able to access places of employment in Leeds and Manchester and by attracting inward investment and tourism,
- by addressing the need to reduce the social exclusion of residents of Pennine Lancashire by affording access to educational establishments, health facilities, retail outlets and transport hubs (including airports), and
- by encouraging modal shift from road to rail, leading to a reduction in road congestion, traffic accidents and CO2 emissions.

12. We have commented in detail upon the potential scheme for reopening the line between Skipton and Colne as it is the one about which we have the most detailed knowledge. We recognise, however, that there are many other potential schemes—such as reopening another “missing link” between Uckfield and Lewes—which are equally deserving of consideration. Selective re-openings of former railway lines would in SELRAP’s view assist greatly in meeting the targets called for in the HLOS announcement.

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## SELRAP'S CAMPAIGN

13. As indicated in paragraph 1 above, SELRAP has been campaigning for re-opening of the former railway line between Skipton and Colne since 2001, and in the intervening period has garnered a broad base of support. Supporters of the campaign currently include:

- 193 Members of the House of Commons.
- 101 Members of the House of Lords.
- 49 (UK) Members of the European Parliament.
- 502 Councils (including in particular Lancashire County Council, North Yorkshire County Council, Pendle Borough Council and Craven District Council).

The proposal fits with the Local Transport Plans of both Lancashire and North Yorkshire County Councils, while discussions with Network Rail resulted in supportive comments in the Lancashire & Cumbria Route Utilisation Strategy published in August 2008.

14. However impressive the list of its supporters, SELRAP recognises that in order to secure reopening of the former railway line between Skipton and Colne, it will first be necessary to establish:

- that reconstruction of the railway is technically feasible, and
- that a viable business case can be made for reopening the railway.

15. So far as the first of those requirements is concerned, a report by Steer Davies Gleave dated May 2003 (commissioned by Lancashire and North Yorkshire County Councils) concluded that there is no insuperable physical barrier to reinstating the railway. In addition, the full length of the trackbed between Skipton and Colne is protected for future transport use in all relevant local plans. Accordingly, there is no reason to doubt that reconstruction of the railway is technically feasible.

16. So far as the second of the requirements mentioned in paragraph 14 above is concerned, SELRAP commissioned and paid for a report to GRIP 1+ standard by JMP Consulting dated October 2007. In accordance with DfT requirements the figures used in that report included loadings of 66% for capital costs and 41% for operating costs. The report also used the then current method for estimating passenger flows, which Network Rail has subsequently recognised underestimated the likely flows, as experience (particularly in Scotland and Wales) has shown that in virtually all cases reopened railways have generated far greater passenger numbers than anticipated. The report also discounted entirely the potential for freight traffic. Even with those very conservative assumptions the report concluded that a benefit:cost ratio of up to 2.43:1 might be expected. That figure did not of course reflect those benefits which cannot readily be assessed in financial terms, such as regeneration of the locality served by the project or environmental benefits. Accordingly, there is no reason to doubt that a viable business case can be made for reopening the railway.

## THE WAY FORWARD

17. SELRAP has been advised by Network Rail that the next step in taking its proposal forward is to commission a more detailed study to GRIP 3–4 standard, the cost of which has been estimated as being in the region of £250,000. As a voluntary organisation, SELRAP is clearly not in a position to fund such a study. Indeed, while the County Councils and other local authorities named in paragraph 13 above agree that the case for reinstatement of the railway between Skipton and Colne is well proved, none is at present in a position to finance a study to GRIP 3–4 standard.

18. Accordingly, it would in SELRAP's view be appropriate that the HLOS should include provision for the funding of studies into the selective reopening of former railway lines in appropriate cases. Where (as in SELRAP's case) preliminary work has been carried out by voluntary groups, that work could be adopted as a starting point for taking such studies forward. By its very nature, the GRIP process involves a number of clearly defined stages, and it would naturally follow that funding could only be provided for a subsequent stage of the process upon satisfactory completion of the preceding stage.

19. The HLOS announcement indicates (paragraphs 50–56) that the Secretary of State has made provision for certain ring fenced investment funds for CP5, and it would in SELRAP's view be appropriate that the funding of studies into the reopening of former railway lines should also be ring-fenced. That could either be achieved by creating an additional ring fenced investment fund, or by directing that a fixed proportion of the £300 million to be made available over CP5 to fund journey time and performance improvements and other rail industry discretionary investment should be used for that purpose.

20. In conclusion, SELRAP would submit that without investment in selective re-openings of former railway lines which have been closed the laudable aims of the HLOS announcement may not be fully achieved.

### Written evidence from Mr Richard W Malins (ROR 34)

Richard Malins has over 45 years of railway experience, 30 of those years working for British Rail, which he joined as a graduate trainee in 1966. For part of that time he held positions of responsibility in the field of revenue protection, including the introduction of the concept of Penalty Fares, and ticket vending machines. Subsequent to privatisation he set up Transport Investigations, a business that provides consultancy and support services in ticketing systems and customer information. This has included surveys and advice to franchise bidders, with clients in London and across the UK and Ireland. He is also well informed on railway practice overseas. He is an acknowledged expert in the area and gave evidence to the Committee for its Fourth Special Report in 2007–08. He has held positions in the Railway Study Association and the Retired Railway Officers' Society that give him a wide range of industry contacts, and he has been a regular contributor to the railway technical press.

#### THE TRANSPORT COMMITTEE'S RAIL 2020 INQUIRY SESSION ON 10 JULY 2012

At this session the Committee returned to a subject first addressed in the Fourth Special Report into Ticketing and Concessionary Travel on Public Transport issued in April 2008.

*Recommendation 9. There are moves to install ticket gates at more rail stations. Yet ticket gates are not a panacea. They cannot be used by all passengers and staff are still required to be present. Gates introduce new drawbacks including delays and obstructions for passengers; they are not in keeping with historic stations; and they are not always the best method of protecting rail revenue. The Government, in consultation with the rail industry and passenger groups, needs to review this one-track approach and develop a more holistic policy. (Paragraph 60).*

*In their response the Government said it believes that effectively deployed gating, together with the associated staff, can be an effective solution to the issue of revenue protection. It is understood that not all passengers have the same needs, which is why the Department for Transport stipulates that where gating is present, wide access gating must also be available. In the rail White Paper "Delivering a Sustainable Railway", the Government has committed to looking at the role of gating across the network, together with operators.*

*The Government will therefore be running a project to examine several aspects of gating, including revenue protection issues, alternative control methods and consideration of passenger flow in view of the predicted increase in passenger numbers over the next 30 years.*

There is no evidence that the Government ever actually ran any project to examine the several aspects of gating, or if it did, there was so little consultation on the matter that it was not possible for interested parties to make any contribution on the subject. Having given evidence to the Committee for the above report, an opportunity to submit further comment was not offered and my repeated submissions to the Department and the rail industry since are never met with any reasoned response. Meanwhile ticket gate schemes continue to proliferate, often at unnecessary or unsuitable locations. Research by Passenger Focus in 2010, as a part of their National Passenger Survey, into the "ease of use" of ticket gates suggested that while they appeared acceptable to commuters they were causing a significant proportion of passengers difficulties at stations with a more general user profile. This research has not been followed up, and Passenger Focus has not challenged this continuing proliferation.

I was therefore particularly interested in this exchange:

**Q282 Steve Baker:** Is the Department right to mandate ticket gates as the preferred strategy for revenue protection?

**Steve Howes:** *I am not sure that they do mandate gates as their preferred strategy for revenue protection. Train operators are encouraged to install gates where there is a de facto case for having gates. Clearly they are an effective means of revenue protection, and most typically in inner and outer suburban commuter markets. For long distance, revenue inspection on-train obviously remains an important part of the overall revenue protection mix and I think that will remain the case.*

Steve Howes, as head of Rail Settlement Plan, gives a fair response here, but could be picked up on some points. What he says is correct, in that with a few exceptions (such as Nottingham and King's Cross) the DfT does not mandate gates as their preferred strategy (I have a letter from Norman Baker that makes that claim), but there is encouragement to do so (I have evidence of that too from my own work on previous franchise bids, and their recent agreement with First Great Western). There is a kind of collective "group-think" fallacy at the DfT and in some TOCs that believes gates to be a sort of fail-safe revenue protection default with de-facto business cases. Often there is no real case at all and it is actually a zero sum game. Some locations, after any initial disturbance of ticket purchase patterns has worked through, will be no better or worse for fare evasion now than before any barriers went in, but there is a cost and there can be degradation of the station's amenities. This could be relevant to the 5th September enquiry, as there are instances where the presence of a closed-off paid-area reduces station trading opportunities, both in actual revenue and potential sites. Claims of improved security are often spurious as much of the crime risk remains and less frequented stations can feel less secure.

There are two particular ongoing gating sagas that involve MPs.

At Sheffield where the situation prompted the Sheffield Central MP (Paul Blomfield) to raise the issue in an adjournment debate on 14 December 2011. (Transcript with comments enclosed). The subsequent manipulation of the situation by DfT officials, who keep trying to revive the scheme as an unfulfilled franchise commitment by East Midlands Trains, is ridiculous. Their insistence that there is no alternative to barriers, quoting absurd numbers for revenue loss and the staff needed to combat it without gates, led Justine Greening to offer a subsidy for a new footbridge to facilitate the gating scheme. Logically this proposal is now overtaken by the announcement of electrification of the railway there as there are clearance issues for the existing bridges.

Gatwick Airport, mentioned below by Steve Baker, is another attempt to enforce a franchise commitment. While it is correct that Southern, with DfT encouragement, put barriers in their bid, like Sheffield it was never consulted upon before being contracted, and the train operator later thought better of it. DfT would not accept a variation and insisted on the commitment being carried out. Norman Baker boasted of this in the Sheffield parliamentary debate already referred to in December, and the result is a complete trashing of service on the Gatwick Express.

Steve Howes should also have admitted that outside commuter environments like London, ticket barriers are not properly supported by the ticket technology (unlike LUL where it is very good) and there is an unacceptably high rate of incompatibility and wrong ticket acceptance or rejection. That taken with people unfamiliar with the system or encumbered means there is a very high degree of manual intervention, with consequent degradation of customer service and ticket checking. Also the assumed throughput rate of over 20 passengers per gate per minute is quite unrealistic, it should be nearer 12 and yet safety cases are based on the higher number. No-one in the national rail world of group-think wants to recognise any of these issues, and the Rail Safety & Standards Board, as custodian of RIS-7701-INS "Railway Industry Standard for Automatic Ticket Gates at Stations" has thus far ignored this point. They say "RIS-7701-INS provides an estimate of gate throughput based on the experience and recommendations of the industry drafting review group, concerning the reliable operational performance of ticket gates under all conditions".

**Q283 Steve Baker:** I understood that barriers had been mandated on the Gatwick Express and other non-commuter journeys.

**Steve Howes:** *For services of certain sorts where there is high density and high throughput, yes, gates are absolutely the best solution.*

If the TOCs were to stick to the commuter market with high density/high throughput stations there would not be too much argument about the topic. It's their intrusion into the non-commuter market that is the concern. The latest news that the West Coast franchise is to be awarded to First Group, a long-standing proponent of universal gating, is a matter of concern. Virgin was the only InterCity operator to stick with the BR open stations policy, and only about 8% of its passengers had to pass a ticket barrier (at stations run by others like Milton Keynes). Now First propose to gate 21 stations, which is almost all of the West Coast network and virtually 100% of their passengers will have to negotiate barriers, for most of them at both ends of the journey. Given what can be observed at ticket barriers on similar stations elsewhere this is a step change (down) in customer service, largely unremarked upon in the furore so far. Unless this major step is challenged it will make ticket barriers appear standard practice and the position at York and Sheffield, where they have been strongly opposed by the community, seem ever more anomalous. There is evidence that ticket barriers are only effective in controlling short distance revenue and are not relevant to longer journeys, where on-train inspection, as Steve Howes says, remains important. There is also evidence that where barriers are provided, on-train staff then relax their efforts and vigilance, so in their net effect they may in practice be counterproductive.

**Q284 Steve Baker:** Whose responsibility do you see it being to protect revenue? Is it the responsibility of the Government or the train operating companies?

**Steve Howes:** *Absolutely the train operators. They have the primary responsibility for protecting revenue.*

This excerpt from the Invitation to Tender for the recently awarded West Coast franchise suggests that the DfT does not see it this way, although this approach, repeated in the Indicative ITT for Great Western has been moderated in the final version recently issued:

#### 3.4.5 STATION GATING AND GATE-LINE STAFFING

Bidders should consider maintaining the existing levels of gate line coverage at minimum throughout the franchise term. Where a bidder proposes not to do this then any alternative solution being offered by the bidder should be set out in its bid plan. Bidders are free to propose additional gates at locations where they would ease emerging passenger flow issues. Where gate lines are operated, bidders are expected to provide plans for appropriate staffing levels and this should be included within the Ticket Sales and Revenue Protection Delivery Plan.

**Q285 Steve Baker:** Given the emerging technologies, things like print-at-home, how do you see barriers fitting in?

**Steve Howes:** *The print-at-home proposition today is only available for advance purchase tickets associated with a seat reservation. That is obviously because you can fairly easily duplicate a print-at-home ticket. We are hopeful and are exploring ways in which we can extend the print-at-home proposition to other forms of ticket, and open tickets particularly, which are not associated with a*



*specific seat reservation. That would require some level of on-journey validation so that the revenue protection inspector could check that it is a valid ticket.*

It is not quite true that print-at-home tickets are only associated with advance bookings and seat reservations. Gatwick Express for one (and there are others) issues regular ticket types that way, and suitably fitted gates can read barcodes quite well. It's just that the passengers often don't know how to present their sheet of paper, and on East Coast for example, currently a Government owned company, there are inconsistent and confusing practices. At gatelines managed by East Coast there are bar-code readers where gates are provided, but none where there are no gates or they are not managed by East Coast. The latter category includes Leeds, the busiest East Coast station outside London. At King's Cross the gates are made by Cubic and have upward facing bar-code readers, whereas elsewhere on the route they are by Scheidt & Bachmann with forward facing readers. Passengers are expected to work this out for themselves, and what to do when there are no readers. There is a further difficulty with the current standard credit-card sized magnetic ticket in that, although gate compatible, for many journeys several are issued for one transaction. This includes separate tickets for outward and return journeys, seat reservations and receipts. Selecting the right one to operate a ticket gate is a challenge for the inexperienced.

Britain is unique in Europe in re-applying the closed station principle to all types of travel. Elsewhere ticket barriers are only used for metro and commuter services where the density of short-distance traffic makes other methods of revenue protection less effective. In some countries however they are unknown and the open station +principle is universally applied. No rationale has been advanced for such an indiscriminate application of ticket barriers here, but the suggestion is often made that it has more to do with a surveillance agenda than sensible revenue control. The news that the Home Office continues to pursue rapid screening technologies that could be installed at controlled points within stations suggests that the encouragement to install ticket gates rests beyond the DfT in government.

#### ADDITIONAL COMMENTS ON THE WEST COAST FRANCHISE COMPETITION

I am not in a position to comment on most aspects of the West Coast Main Line franchise award, and I did not work on any of the bid teams in this case. I have however worked on a number of previous bids in the revenue protection field and I did undertake a review of the topic for First Great Western so I am familiar with First Group's approach and philosophy on the subject. First claims to be the principal proponent of barriers on the Inter-City railway, and there is evidence for that on Great Western, so it has become some sort of fixed doctrine towards finding extra revenue for them. Having had the recent opportunity for a serious look at Great Western, I believe that strategy to be misplaced, both in customer service and net revenue terms. Despite contrary advice they agreed with the DfT to proceed with gates at a number of their stations (Cheltenham, Gloucester and Taunton are examples) for which no business can be envisaged and where there would be negative impact from the schemes.

First propose to gate 21 stations, which is almost all of the West Coast network and virtually 100% of their passengers, for most of them at both ends of the journey. Given what is known about the unsatisfactory operation of ticket barriers at similar stations elsewhere and can readily be observed, this is a major step-change down in customer service, largely unremarked upon in the debate so far. At present only about 8% of West Coast passengers encounter a ticket barrier, at stations managed by others (such as Milton Keynes), and in particular there is easy access and egress at most of their major stations. Although without an opportunity to examine these in more detail, and access to any relevant data on fare evasion, I cannot see how this move to a check at both ends of the journey will enhance customer service and more important net revenue to the franchise. Capital costs of equipment and enabling works are likely to be in the order of £12 million and annual running costs for maintenance and incremental staffing will be some £3 million. There is a sound body of evidence to suggest that gates are only effective in improving revenue control for short journeys and that benefits to a longer distance operator are negligible, indeed they may even be negative since gates do not address many of the causes of revenue loss (class of travel, possession of a valid railcard, use of the correct train etc) and on-train staff tend to relax their efforts once gates are installed. While there may be some local benefit in the Midlands or North West, little of this will accrue to the West Coast franchise where the regional flows represent a very small proportion of revenue, and it is not clear whether these extra costs will be offset to those beneficiaries. First also claims that ticket gates improve security through better crowd control and the curbing of anti-social behaviour. There is scant evidence to support that too, since barriers are invariably opened when there is crowding, and any impact on behaviour is dependent on a staff presence, rather than equipment.

So while I do not know enough about the other assumptions that lie behind First's successful bid for the West Coast franchise, in this particular area, I believe they are flawed, and if the gates under-pin even a small amount of the predicted flows of extra revenue, then they could be in error.

#### *West Coast Invitation to Tender Document: 3.4.5 Station Gating and Gate-line Staffing*

*Bidders should consider maintaining the existing levels of gate line coverage at minimum throughout the franchise term. Where a bidder proposes not to do this then any alternative solution being offered by the bidder should be set out in its bid plan. Bidders are free to propose additional gates at locations where they would ease emerging passenger flow issues.*

*Where gate lines are operated, bidders are expected to provide plans for appropriate staffing levels and this should be included within the Ticket Sales and Revenue Protection Delivery Plan.*

*Gate lines will be introduced at Birmingham New St on a phased basis during the early years of the new franchise. Bidders are required to detail plans for staffing and maintaining the gate lines from the completion of Gateway Phase 2 (see point 3.3.1.1)*

*Bidders are free to provide proposals for additional gating schemes where a case can be demonstrated and where the gating schemes are deliverable. Bidders should pay particular attention to potential negative impacts of any proposed scheme.*

*Bidders will be required to set out when such gates will become operational, and the hours when the gates will be staffed, reflecting the security and other benefits gating schemes bring.*

20 August 2012

### Written evidence from HS2 Action Alliance (ROR 35)

#### HLOS PLANS AND PRIORITIES

HS2AA note that the Transport Select Committee (TSC) are inviting views on the Government's HLOS plans for rail,<sup>8</sup> including how the schemes have been prioritised, when the new schemes will be delivered and how they will be paid for.

We would like to make three main points about the HLOS plans for Control Period 5. These concern:

- Their impact on other schemes and notably the business case for HS2.
- What they imply for overcrowding on Britain's rail network and hence the prioritisation behind HLOS.
- Funding implications.

#### IMPACT ON BUSINESS CASE FOR HIGH SPEED 2 (HS2)

The HS2 business case is kept under continual review. There have already been two revisions this year (in January and April) and another was released yesterday on 23 August taking account of the March 2012 economic forecasts and the preferred Y route. HS2AA ask that the TSC recommend that they also be required to take account of the HLOS programme.

Aspects of the HLOS programme affect the incremental benefits that are associated with HS2, as the "do minimum" position is significantly changed for 2019. These aspects should therefore be incorporated in the revised business case for HS2. These will include:

- The impact of *Midland Mainline electrification programme* which is expected to increase capacity and reduce the journey times to towns and cities (eg Leicester, Nottingham, Derby and Sheffield) in the catchment area for the Leeds leg of the Y branch of HS2. This clearly affects the benefits ascribable to HS2. Its connection to the High Speed Rail line was acknowledged as long ago as 2009 by many, including the Chief Engineer of HS2 Ltd.<sup>9</sup>
- The improvements to *East Coast Mainline*, both the IEP trains announcement together with the £240 million for infrastructure investment (to sort the crossing flows of passenger and freight at Peterborough) announced as part of HLOS, will improve capacity and cut journey times from London to Newcastle (by 13 mins), again affecting the case for the Y. We note that HS2 Ltd/ DfT are currently claiming a 51mins reduction<sup>10</sup> from Kings X to Newcastle (from 3hrs 9 mins to 2hrs 18mins), despite most trains on the current hourly service being typically 2hrs 50 mins (and the fastest from Newcastle just 2hrs 24mins). So we presume the proposed 13 mins journey time saving means the 51mins saving ascribed to HS2 comes down to a 19 mins saving with HS2 (and even less compared to the fastest service).
- The proposed new £500 million *Great Western link to Heathrow* will affect the assumed passenger flows from the west using the proposed HS2 interchange at Old Oak Common for getting to Heathrow. The link will also provide direct Birmingham to Heathrow services. We note the link is described by DfT as "complementing" high speed rail access, while we would suggest it is in fact competing with access to Heathrow provided by Old Oak Common and the HS2 business case should reflect this.

On costs we suggest that the £140 million set aside for schemes including "*all necessary work on development of the linkages to HS2 to the existing network*" should be taken account of as a cost within the HS2 business case, as were it not for HS2 these linkages would not be required.

<sup>8</sup> Railways Act 2005 statement at <http://assets.dft.gov.uk/publications/hlos-2012/railways-act-2005.pdf>

<sup>9</sup> An FOI request revealed an unguarded response from the Chief Engineer at HS2 Ltd (in his personal capacity) about the MML electrification, where he noted in an email of 23 December 2009 to the South Yorkshire Passenger Transport Executive "...I think there has to be care not to undermine a very strong business case for a proper high speed line by proposing an investment in an intermediate solution which gives a proportion of the benefits and potentially allows government to say 'they have got part of what they wanted so the priorities now move elsewhere'....."

<sup>10</sup> High Speed Rail: Investing in Britain's Future—Decisions and Next Steps, January 2012, DfT. Map on page 15

HS2AA also note that HLOS will support freight infrastructure investment in developing a “wider strategic freight network”, with investment in the electric spine from the South Coast through to Birmingham, South Yorkshire and the Northern Hub. This will remove the pressure on the WCML to provide additional freight paths—the need to free up space on the WCML for freight had been a central tenet in the Government’s case for HS2.

Finally these changes can only be properly reflected in the HS2 business case if the demand model for HS2 reflects price. As was made abundantly clear in the June 2012 Public Accounts Committee (PAC) investigations into the Completion and Sale of HS1,<sup>11</sup> that included implications for HS2, this is not currently the case. The latest update still ignores price competition, despite the fact the PAC recommended (at Recommendation 5, page 6) that the HS2 pricing assumption (of non premium pricing) be reviewed as it effectively ignores the competitive effect of the classic railway on demand for HS2. This will clearly also be important when assessing the impact of the HLOS schemes on the business case for HS2.

The August update of the HS2 business case apparently includes various “modelling refinements” yet still leaves incontestable flaws in using an outdated demand mode; a discredited “simplified” value of time saving assumption in addition to the unrealistic pricing. It is stated there will not be another business case until the Hybrid Bill and the consultation on the Y route in 2013. We would submit that the HLOS changes should be taken account of now.

#### HLOS PRIORITISATION

For passengers “getting a seat” represents an important factor in terms of prioritising expenditure. A few days before the HLOS announcement the DfT/ORR released the latest figures<sup>12</sup> on rail overcrowding covering all key cities as well as London. If the data for “% of passengers standing” is ordered by destination and operator it provides a snapshot prioritisation for investment. It does not use PiXC (passengers in excess of capacity), nor does it disaggregate it by commuter or long distance service, but rather the simple straight forward measure of getting a seat.

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<sup>11</sup> <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/464/464.pdf>

<sup>12</sup> <http://assets.dft.gov.uk/statistics/releases/rail-passenger-numbers-and-crowding-on-weekdays-2011/rail-passengers-crowding-2011.pdf>

The table of results below was prepared by Bluespace Thinking.<sup>13</sup> It shows the investment covered by key HLOS plans is well down the list, at 17th, 30th, 35th and 42nd/43rd and 51st. Note that London Overground that tops the league table is explained by the high capacity metro-style trains deliberately designed to carry a high number of their passengers standing as they have relatively few seats.

UK Rail Network - Key areas of over crowding in 2011  
(Table prepared by Bluespace Thinking Ltd)

Data Source- Office of the rail Regulator 13th July 2012		2011 Over crowding			
Priority for investment based on % of standing passengers	Operating Company	Trains services during AM & PM peaks	% Passengers in excess of seating & safe standing capacity	% Standing passengers	
1	London	London Overground	18	0%	44.6%
2	London	South West Trains	297	3%	25.5%
3	Manchester	First TransPennine Express	75	2%	23.4%
4	London	Southern	319	4%	20.3%
5	Leeds	First TransPennine Express	47	4%	19.9%
6	London	London Midland	49	7%	17.7%
7	London	First Great Western	126	11%	17.2%
8	London	c2c	92	2%	16.1%
9	Birmingham	London Midland	227	3%	13.8%
10	London	Southeastern	404	1%	13.4%
11	Manchester	East Midlands Trains	12	1%	13.2%
12	London	National Express East Anglia	304	4%	12.9%
13	Newcastle	First TransPennine Express	5	0%	12.7%
14	London	First Capital Connect	243	2%	12.5%
15	Leeds	Northern Rail	152	1%	12.3%
16	Manchester	Northern Rail	231	2%	11.2%
17	London	East Midlands Trains	28	10%	10.8%
18	Liverpool	Northern Rail	49	1%	9.6%
19	Sheffield	Northern Rail	62	1%	9.3%
20	Liverpool	First TransPennine Express	6	0%	8.8%
21	Birmingham	Chiltern Railways	16	0%	7.1%
22	London	Chiltern Railways	89	3%	6.7%
23	Sheffield	First TransPennine Express	11	1%	6.5%
24	Bristol	First Great Western	84	1%	6.4%
25	Manchester	Arriva Trains Wales	14	4%	6.3%
26	Newcastle	Northern Rail	29	0%	6.2%
27	Cardiff	Arriva Trains Wales	192	1%	6.2%
28	Birmingham	CrossCountry	78	1%	5.3%
29	Manchester	CrossCountry	12	0%	4.6%
30	Sheffield	East Midlands Trains	23	0%	3.9%
31	Sheffield	CrossCountry	24	4%	3.8%
32	Liverpool	Merseyrail	185	0%	3.7%
33	Birmingham	Arriva Trains Wales	12	0%	3.0%
34	Leeds	CrossCountry	12	1%	2.4%
35	Nottingham	East Midlands Trains	57	0%	2.2%
36	Newcastle	CrossCountry	16	0%	2.1%
37	Leicester	East Midlands Trains	55	1%	1.9%
38	Bristol	CrossCountry	19	1%	1.4%
39	London	Virgin Trains	60	1%	0.7%
40	Birmingham	Virgin Trains	30	0%	0.4%
41	Leicester	CrossCountry	20	0%	0.2%
42	Leeds	East Coast	12	0%	0.1%
43	London	East Coast	30	0%	0.1%
44	Bristol	South West Trains	1	0%	0.0%
45	Cardiff	CrossCountry	6	0%	0.0%
46	Cardiff	First Great Western	30	0%	0.0%
47	Liverpool	East Midlands Trains	5	0%	0.0%
48	Liverpool	London Midland	12	0%	0.0%
49	Liverpool	Virgin Trains	5	0%	0.0%
50	Manchester	Virgin Trains	14	0%	0.0%
51	Newcastle	East Coast	20	0%	0.0%
52	Nottingham	CrossCountry	11	0%	0.0%
53	Nottingham	Northern Rail	6	0%	0.0%

The apparent low priority given to overcrowding in the choice of HLOS schemes is particularly significant given:

- The recent pattern of rail growth—with the biggest increases in regional services (15.4% over last two years), then London services (11.4%), and lastly long distance services (9.6%). If these differences in growth rates are sustained then pressure on the regions will grow.
- The increases in peak capacity that the £9 billion HLOS improvements are designed to provide<sup>14</sup> are 10% for Birmingham services; 20% for Leeds; 22% for Manchester; 14% for other regional cities (Bristol, Leicester, Liverpool, Newcastle, Nottingham and Sheffield); and 22% for London terminal capacity when account is taken of the Crossrail and Thameslink projects.

<sup>13</sup> Bluespace Thinking Ltd. Table at <http://www.bluespacethinking.com/projects>

<sup>14</sup> As identified in the capacity metric at Appendix A of the Railways Act 2005 Statement at <http://assets.dft.gov.uk/publications/hlos-2012/railways-act-2005.pdf>

- Government's commitment of £33 billion to HS2 that is set to increase capacity by more than 200% by 2037, with the serious expenditure starting after CP5. Interestingly HS2 comes in at 39th/40th and 49th/50th on the table.

Unless the economy performs unexpectedly well, this suggests that after the end of CP5 there will be little further money available beyond that earmarked for HS2. It therefore looks like the provision of extra capacity to help passengers get a seat is not a priority.

#### FUNDING IMPLICATIONS

Funding for HLOS for CP5 is assumed to include:

- The rail industry achieving up to £3.5 billion in efficiencies by 2019 as identified by McNulty.
- Above inflation fare rises—with RPI + 3% in the short term.
- Savings from the electrification projects effects on long term operating costs.

There will inevitably be political pressure on the fares rises, not least as an election draws near. Radical cost cutting has been on the rail agenda for almost as long as privatisation has been in place. All this means that the taxpayer may end up with a larger share of the bill than currently envisaged, creating an environment where HS2 would consume all the available funding.

The Government's suggestion that HS2 does not compete for funds allocation with other transportation projects (including road) looks increasingly unsustainable. Consequently whether HS2 is the right priority needs to be addressed.

24 August 2012

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### Further written evidence from HS2 Action Alliance (ROR 35A)

#### WEST COAST MAINLINE AND HIGH SPEED 2 (HS2)

I am writing on two matters that both relate to the transparency of transport decision making processes, which we fully support:

- The apparent inconsistency in the actions of the Department of Transport between the award of the WCML franchise and the treatment of WCML in the context of HS2.
- Recent developments on the business case for HS2. We have already responded to your request for submissions on HLOS, but there were wider issues that we felt should be raised.

#### 1. WCML FRANCHISE AWARD

Whether or not there is an investigation into the WCML franchise award, we have also been examining the statements made about growth and capacity on the WCML by both First Group and DfT and cannot see how they reconcile with the assumptions made in the context of the HS2 debate. I attach at Annex A our analysis of these issues.

Our concern is twofold.

*Growth and pricing assumptions.* First Group are assuming more growth on the WCML (at 5.8%/a) than DfT assumed for their HS2 case (at 2.4%/a). We are concerned that First Group's higher growth assumptions are the result of decisions taken on pricing that DfT refuse to recognise in their own parallel growth model for WCML (in their case for HS2). The difference is not the result of a more cautious outlook by DfT.

The absence of a realistic pricing model for HS2 was highlighted most recently by the Public Accounts Committee (PAC) who pointed out how ignoring premia pricing for HS2 led to DfT's exaggerated growth assumptions for HS2. This applies especially to the numbers of new travellers (24% of total passengers) attracted by HS2, where price competition from the classic railway (and other modes) would be crucial.

But even without premia pricing, competition on price can drive passenger growth and investment eg Chiltern Railways mainline services (with Evergreen III) are one third cheaper while some trains take only 6 mins longer than Virgin services to Birmingham, and, as might be expected, are winning custom from WCML

Now First Group have publicly demonstrated the importance of price in forecasting volume growth by putting pricing centre-stage in their winning WCML bid—cutting not just standard fares but selling surplus seats on WCML at a discount (getting passenger occupancy up from 35%). DfT, in accepting First Group's bid, are accepting that discounting prices is a plausible and deliverable scenario for tackling low passenger occupancy on WCML. But this is inconsistent with:

- DfT's own pricing assumptions in their model for HS2 and WCML. Here they assume the standard pricing model (on average RPI + 1%) so that HS2 could not compete with deeply discounted prices on WCML without making much larger losses and hence requiring larger subsidies than the currently forecast £26 billion (NPV, 2011 prices).

- DfT’s assumption that when HS2 is built, WCML passengers will move to HS2 leaving much surplus capacity. The next WCML franchisee will (like First Group) want to sell the spare capacity at discounted prices. First Group propose, and DfT agree, that this is an outcome that makes economic sense for WCML. It is of course also why proper consideration of pricing is fatal to the case for HS2, (as some passengers will choose the cheaper but slower WCML option). This is no doubt why DfT are defending their current competition-free modelling approach for HS2, as it would destroy the already fragile case for HS2.
- The general trend in long distance domestic travel per capita (ie market saturation) that has been static for 15 years. This suggests that after population growth is accounted for much of the 5.8% volume growth by First Group must be intermodal swapping, rather than new passengers. Rail cannot however increase its share of the long distance travel market indefinitely.

It is now well known that the last two big rail projects (Eurotunnel and HS1) had unrealistic growth forecasts from failing to take account of competition—in one case from the ferries, in the other from low cost airlines. It would be inexcusable if DfT failed a third time by ignoring competition from other rail operators, especially as unlike previously the excuse cannot be that the outcome was not foreseeable.

We feel that it would improve DfT’s decision processes were your Committee to ask them to take price into account in their modelling work for HS2. Currently DfT’s latest Economic update (released 23 August 2012) reports no plans to do this.

*Capacity:* First Group report that there is “considerable unused capacity” on WCML and that passenger seat occupation will be just 35% when they takeover in December 2012 (when the already committed 106<sup>15</sup> new pendolino coaches that provide for 35 trains to be 11-car have arrived). We know, as our annex shows, that even in the peak and *before* the 11-car trains are in operation, occupancy was only about 60%, even though DfT still refuse to release the precise counts data.

First Group are meeting their more aggressive volume growth forecasts<sup>16</sup> of 5.8%/a (which is a more than doubling in the number of passengers by 2026, rather than by 2037 as DfT assume in their case for HS2) without investing in any more additional capacity on the southern end of the WCML. DfT and Network Rail are apparently satisfied with this.

It is hard to reconcile this with the wide range of statements made by DfT, Ministers and Network Rail (see Annex A) concerning how WCML services are “extremely heavily used”, will be full up (variously within seven to 10 years, in a decade, and by 2024) and the looming “capacity crunch” on the long distance WCML services.

This raises two issues:

- DfT/Network Rail have made it abundantly clear that without HS2 the WCML could not cope with a doubling in passengers by 2037, but First Group say existing capacity at the Southern end of WCML can cope (and DfT agree) with a more than doubling by 2026 (bar utilising one more train path)!
- If a more than doubling in passengers can be accommodated within existing capacity then it leaves the following measures available to accommodate further growth:
  - Extending all pendolinos to 11-car rather than just 35.
  - Further extensions to 12-car (except for Liverpool, where there are practical difficulties).
  - Rebalancing first and standard class (at no loss in revenue given low first class loading levels, believed to be around 20% on most services).
  - Addressing three pinchpoints<sup>17</sup> on the WCML (that also provides an opportunity to address the already overcrowded commuter services run by London Midland to Milton Keynes that use the WCML fast lines).

In validating the 51m proposals for DfT, Network Rail did not deny that extra capacity could be achieved this way (and for less than one tenth the cost of HS2) but did not consider it a strategic solution to the longterm capacity issue for WCML.<sup>18</sup> If in fact there is no shortage of capacity the case for spending £33 billion on HS2 all but disappears.

We feel that it would improve DfT’s decision processes were your Committee to ask them to respond to both these issues before proceeding further with HS2. Capacity cannot both be at the heart of the case for HS2 while similarly accepting the First Group assumptions on capacity.

<sup>15</sup> 31 trains will be extended to 11-car (ie 62 further coaches), and 4 new 11-car trains will be in service (ie 44 more coaches)

<sup>16</sup> First Group’s forecast will also be met using extra capacity they are creating by 11 new 6-car EMU’s operating from Birmingham northwards. But this capacity does not affect the southern end of the WCML and the DfT and Network Rail statements that relate to the London Birmingham leg of HS2

<sup>17</sup> A grade separated junction between Leighton Buzzard and Cheddington; Stafford area by-pass and 4-tracking Attleborough/Brinklow (including freight works at Nuneaton)

<sup>18</sup> Network Rail did raise issues about the 51m solution not meeting suburban capacity requirements (services to Watford). This stemmed from no discussions taking place with 51m and a misunderstanding concerning their proposal. There is no suggestion either that HS2 was being built to resolve suburban capacity requirements.

## 2. HLOS AND IEP CHANGES

As we set out in our submission of 24 August we would expect that several of the HLOS and related improvements that will now be in place by 2019 would affect the incremental benefits of HS2, as the “do minimum” position will have been significantly changed. However the latest business case for HS2 (released 23 August) neither mentions them, nor suggests that they will be taken into account of in their further work.

In 2010 HS2AA raised issues about the exclusion of Evergreen III that was a committed scheme. HS2 Ltd initially defended their decision to us on the basis it would not materially affect their modelling,<sup>19</sup> but subsequently did include it in their January 2012 business case. We are now seeking the same for the HLOS improvements.

We hope that the Transport Select Committee agrees that the HLOS improvements should be taken account of in the economic case for HS2.

## 3. HS2 BUSINESS CASE UPDATES

We note also that DfT still compare HS2 with a “do minimum” or the alternative of a new line at conventional speeds.

It is wrong in principle that this approach continues to be used, despite the best alternative to HS2 having been identified (as assessed by the benefit to cost (BCR) ratio) which is neither the “do minimum”, nor a new line at conventional speed, but an improved WCML (ie as proposed by 51m).

The latest update of the business case for HS2 produces an improved Benefit to Cost ratio (restoring the January 2012 picture, that had deteriorated in April), with the improvement largely attributed to “better modelling”. The deficiencies identified by yourselves and Public Accounts Committee are either still dealt with as sensitivities (that have not been updated) or not covered at all. It is difficult to understand what has and has not been included with such a brief and unsupported summary.<sup>20</sup>

Again we feel that it would be helpful if your Committee would ask that DfT are required to provide further details. For a scheme costing £33 billion it is surely unacceptable to put so little information in the public domain. This is particularly important given that the August update says that no further business case will be provided until the Hybrid Bill and consultation on Phase 2 of HS2 in 2013.

## 4. PUBLIC ACCOUNTS COMMITTEE (PAC) RECOMMENDATIONS

The PAC report on the completion and sale of HS1 made a number of recommendations on the modelling assumptions used for HS2 related to pricing and the value of time. These included a recommendation that the assumption of no premium pricing for HS2 be revisited. The assessment of HS2 currently ignores the effects of competition from the “classic” rail services that is clearly relevant when HS2 is built (irrespective of whether premia pricing applies). This would clearly have a very substantial effect on both background growth in demand as well the numbers of new travellers attracted to HS2 (as explained above).

Irrespective of the issues we raise about the award of the WCML franchise we hope that your Committee will press for price to be taken account of in the HS2 demand model.

28 August 2012

## STATEMENTS ON GROWTH AND CAPACITY ON THE WCML IN THE CONTEXT OF THE RECENT WCML FRANCHISE AWARD AND THE CASE FOR HIGH SPEED 2

First Group have won the WCML franchise from Virgin that runs from 2012 to 2026, ie until HS2 is scheduled to start. But DfT, First Group and Network Rail seem to have inconsistent views about growth and capacity on the WCML.

### GROWTH

1. First Group say they are assuming compound volume growth of 5.8%/a ie about 120% over the 14 year life of the franchise—this is a more than *doubling* by 2026.

2. This figure contrasts with what DfT assume in their HS2 business case ie 2.4%/a or a doubling by 2037<sup>21</sup> (in growth without HS2); and what DfT presume in their HLOS forecasts for the peak periods at Euston (about 10% over five years to 2018–19<sup>22</sup>). So First Group are on the face of it being very much more optimistic for WCML than DfT.

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<sup>19</sup> Letter of 29 June 2010 from Alison Munro to Bruce Weston, Director HS2AA

<sup>20</sup> Updated Economic case for HS2, August 2012, HS2 Ltd at <http://www.hs2.org.uk/assets/x/93861>

<sup>21</sup> HS2 Ltd say WCML will increase from 60,000 passengers/ day (2010–11) to 117,000 by 2037

<sup>22</sup> Appendix A of 2012 HLOS statement shows increase at Euston peak from 24,300 to be 1,400 by 2018–19



3. One interpretation is that this simply endorses the view that DfT are being more conservative on WCML growth in their HS2 case as the taxpayer is heavily subsidising the proposal. But this is to ignore the very different approach to pricing in the two models

- First Group have demonstrated how price affects demand. Essentially they will price the market aggressively and attract additional passengers by discounted pricing to fill up the considerable spare capacity (with just 35% passenger occupancy in December 2012). They will reduce standard walk-up fares (by on average 15%).
- For HS2, DfT assume a standard model of what happens on price (overall RPI + 1%) with a “usual” basket of different fares. They do not assume premia pricing for HS2 (which would affect both revenue and demand), and ignore the effect of price competition from neighbouring franchisees covering the same destinations. This is despite the issue being identified by both the Transport Select Committee and also by the Public Accounts Committee. On demand, premia pricing would be likely to have two effects:
  - (a) To reduce the 24% of passengers that DfT assume are new HS2 passengers and attracted to travel on HS2 (this is twice the number estimated to switch from air and car to HS2, that would also be affected).
  - (b) To reduce the number of passengers who will elect to move from WCML to HS2. People will have a choice of paying a premium to get there about 30 mins quicker, or remaining on WCML getting there slower but paying less.

HS2 could not use discounted pricing in the same way as First Group envisage or its economics would suffer further.

The competitive response of WCML would undercut HS2’s prices even if HS2 were not at a premium.

4. If DfT/Network Rail believe that selling surplus seats at a discount attracts passengers then they should take it into account for HS2. Price competition from the next WCML franchisee will undercut HS2 (whether premia priced or not) and the HS2 forecasts will be undermined.

#### CAPACITY

5. First Group in their winning announcement said there was a “*considerable amount of unused capacity*”. This is clearly consistent with the available evidence from the Network Rail South Eastern RUS (showing long distance trains as just 60% full in the morning peak at Euston which is the least busy domestic long distance station, and that is before the longer 11-car pendolino trains are in place). It is also confirmed by an independent survey conducted<sup>23</sup> for HS2AA that showed Virgin services on average 56% full in the evening peak, also before the 11-car services were operating.

6. Extending Pendolino’s from 9-car to 11-car adds 50% more standard class capacity.

7. As far as creating *extra capacity* to meet the 120% demand growth First Group refer to three sources:

- (a) New capacity for between *Birmingham and the North* of 11 new 6-car electric multiple units (EMU) ie 12,000 extra seats;
- (b) The already committed new longer 11-car pendolinos ie 106<sup>24</sup> more coaches giving 28,000 extra seats *from Euston on the length of the route*; and
- (c) An *extra hourly service* from Euston to the North West (that then allows shorter journey times by reducing intermediate stops to Glasgow).

8. When the Pendolinos have been delivered at the franchise start First Group say passenger occupancy will be *just 35%*<sup>25</sup> This is *before* they add the new EMU capacity. So WCML has plenty of spare capacity.

9. It is hard to see how these statements on spare capacity, together with the current low levels of loading (particularly compared to other parts of the network) are consistent with DfT and Network Rail statements that justify HS2 on the basis of how full and crowded the WCML is, and how in the next decade it will run out of capacity.

- No one disputes (not even the previous Secretary of State, Philip Hammond) that specific trains are very *busy because of the pricing structure* and the “fares cliff” at 7pm—but this just serves to illustrate the importance of price in managing demand.
- It is also not disputed that there is chronic overcrowding on the London Midland commuter services to Milton Keynes and Northampton, which spills over to the occasional long distance Virgin trains that stop at Milton Keynes (that were found to be 67%<sup>26</sup> full in the evening peak). But HS2 was not designed to cure this (and certainly would do nothing about it for the next 14 years before HS2 was built). Other solutions are plainly relevant to address this issue.

<sup>23</sup> Survey by Customer Research Technology Ltd conducted for HS2AA in December 2011 that showed Virgin peak evening services from Euston on average 56% full (and under 45% full to Manchester)

<sup>24</sup> The 106 more coaches relate to the 31 services that will be extended (2x31trains = 62 coaches), and the four new services 11x4 = 44 coaches).

<sup>25</sup> Statement by First Group on 15 August on winning the Franchise

<sup>26</sup> Survey by Customer Research Technology Ltd for HS2AA (December 2011)



10. Network Rail, and DfT have nevertheless made many public statements including to the Transport Select Committee and in the HS2 Consultation, about the “capacity crunch” on WCML. HS2AA catalogued (in Appendix 1.4 of their consultation response, also provided to the TSC) many of the statements made and how Network Rail’s were at odds with their own forecast in their WCML RUS (done prior to the latest pricing decisions on RPI+3%). Dialogue by Design<sup>27</sup> chose to quote the following in their summary of consultation responses published alongside the HS2 decision in January 2012:

“Network Rail indicate in their response to the consultation that they do not think it will be possible to meet future demand by increasing capacity on existing routes such as WCML:

*‘However, once the work that Network Rail is undertaking at Stafford (which will have capacity benefits further south on the WCML) has been completed, there will be no possibility of increasing capacity on the line further to enable significantly more trains to run, and no possibility of lengthening the crowded services significantly.’* (Network Rail)

Despite this statement by Network Rail in 2011:

- Not all Pendolinos are currently being lengthened to 11-car (just 31 of the 52 fleet plus four new 11-car trains), which has been ignored by the above statement. Network Rail<sup>28</sup> reject a further extension on the basis they could find no case for it! (This may be due to the current appraisal methodology being heavily tilted towards journey time savings that extending trains does not produce, a point also emphasised by the Public Accounts Committee in their June report<sup>29</sup>.)
- Further extension to 12-car (except to Liverpool where it is impractical) was an accepted proposition by Atkins in their analysis for DfT of Strategic Alternatives to HS2,<sup>30</sup> and part of 51m’s proposal, Network Rail’s only comment<sup>31</sup> being it would require further platform lengthening (the details of which are contested by 51m).
- Network Rail themselves separately had made clear that there was opportunity for a low cost solution ie further off peak path.<sup>32</sup> This we presume is the extra train path that First Group refer to in their statement, and will have been approved by Network Rail in the bidding process for WCML franchise.

11. The statements that we have a capacity crunch by 2024 for long distance travel on WCML, with *no possibility* of doing anything else to alleviate it significantly seem wholly at odds with awarding First Group a franchise based on more growth than even DfT assumed, and for the southern end of WCML just using the already committed 11-car extensions and one further train path. This:

- Ignores going to 11-car for all pendolino services.
- Ignores going to 12-car for all services except to Liverpool.
- Ignores rebalancing first and standard class (quick, and with no revenue impact given the lightly loaded first class).
- Ignores infrastructure improvements at three specific pinchpoints on the WCML that offer some journey time improvements, separation from freight, and an opportunity to also improve the commuter services).

### Written evidence from 51m (ROR 36)

#### INTRODUCTION

The Transport Select Committee has invited views on the Governments HLOS plan for rail for Control Period 5, including how the schemes have been prioritised, when the new schemes will be delivered and how they will be paid for.

51m would like to raise a number of issues in relation to HLOS and the impacts on the current railway and possible future planned investments, notably HS2.

#### OVERVIEW

51m generally welcomes the announcement by Government in relation to the HLOS and the investments to be made in Control Period 5 and indeed the other recent announcements in relation to IEP trains on the East Coast Mainline (ECML) and the West Coast Mainline franchise (WCML). These investment announcements are entirely compatible with the proposals that 51m has made in relation to the future capacity needs of the WCML—maximise the use and capacity of existing infrastructure instead of spending £33 billion on HS2.

<sup>27</sup> Page 45 of Consultation Summary Report by Dialogue by Design, Nov. 2011 (published Jan. 2012)

<sup>28</sup> Page 83 of Network Rail Draft RUS for WCML (published December 2010)

<sup>29</sup> Public Accounts Committee June 2012 Report into HS1 Questions 107 to 110

<sup>30</sup> High Speed 2: Strategic Alternatives Study Rail Interventions Report—where 12-car was part of Rail Package 1 but not developed further as RP1 was not considered a complete solution

<sup>31</sup> Review of Strategic Alternatives to HS2, November 2011, Network Rail released as part of the HS2 decision documents in January 2012

<sup>32</sup> In their own forecast in December 2010 Draft RUS, page 85

The key issues that we wish to raise relate to:

- The impact of these investments on the rail network and in particular the case for HS2.
- The effects on the economics of Britain's railway.

#### THE IMPACT OF THE INVESTMENTS IN THE RAIL NETWORK AND IN PARTICULAR THE CASE FOR HS2

A number of elements of the HLOS programme will bring benefits, including greater capacity and reduced journey times, to the current network in the corridors most affected by the proposed HS2. 51M believes that the business case for HS2 should be reassessed with this in mind:

- The impact of the Midland Mainline electrification programme is expected to increase capacity and reduce the journey times to towns and cities (eg Leicester, Nottingham, Derby and Sheffield) that are in the catchment area for the Leeds leg of the Y branch of HS2, clearly affects the benefits ascribed by the Government to HS2.
- The improvements to East Coast Mainline, both the IEP trains announced on 25 July together with the £240 million for infrastructure investment (to sort the crossing flows of passenger and freight at Peterborough) announced as part of HLOS, will improve capacity and cut journey times from London to Newcastle (by 13 mins), again affecting the case for the Y. We note that HS2 Ltd/DfT are currently claiming a 51mins reduction<sup>33</sup> from Kings X to Newcastle (from 3hrs 9 mins to 2hrs 18mins), despite most trains on the current hourly service being typically 2hrs 50 mins (and the fastest from Newcastle already being just 2hrs 24mins). So we presume the proposed 13 mins journey time saving means the 51mins saving ascribed to HS2 comes down to just a 19 mins saving with HS2 (and even less compared to the fastest service).
- The proposed new £500 million Great Western link to Heathrow will affect the assumed passenger flows from the west using the proposed HS2 interchange at Old Oak Common for getting to Heathrow. The link will also provide direct Birmingham to Heathrow services. We note the link is described by DfT as “complementing” high speed rail access, while we would suggest it is in fact competing with access to Heathrow provided by Old Oak Common and the HS2 business case should reflect this.
- The successful First Group bid for the WCML will provide a £5.5 billion payment to Government over the franchise period and it is reasonable to expect that any future franchises of the existing WCML would make similar or greater contributions. In comparison HS2, together with the residual WCML franchise, will require a £25 billion subsidy from Government. The DfT have accepted that the 51m Optimised Alternative can provide up to three times the current WCML capacity, more than meeting future growth needs at a cost of less than £3 billion. The decision to invest £33 billion in HS2 seems counter intuitive, particularly against the stated Government policy of reducing the cost of Britain's railways by £3.5 billion by 2019<sup>34</sup> making it more financially sustainable and lessening the burden on farepayers and taxpayers, together with improving value for money for customers.<sup>35</sup>
- The continued commitment to fund the industry to develop the wider Strategic Freight Network, and the investment in the “Electric Spine”<sup>36</sup> route from the South Coast to the Midlands and South Yorkshire and the Northern Hub, will significantly reduce the pressure and need for any additional freight services on the southern end of the WCML. Indeed, in conjunction with the Felixstowe to Nuneaton investment it is likely to reduce the number of services using the southern end of the WCML. These investments negate any arguments that HS2 is necessary to provide more freight paths on the WCML.
- The latest DfT/ORR figures on rail overcrowding covering all key cities as well as London, was published in July 2012<sup>37</sup> and it is surprising that the HLOS investments do not target and prioritise those routes which are most overcrowded. This is highlighted by the fact that the WCML Virgin Trains services have a crowding factor of 0% in the peak period at Euston, yet Government sees investment in HS2 as a priority. Investment should be prioritised to increase capacity and value for customers on the crowded sections of the network

#### CONCLUSION

51m supports investment in the railways and the improvements that they will bring to passengers, however it is critical that they should not be seen in isolation and that the evaluation of HS2 must take these investments into account within its evaluation and business case. We believe that inclusion of the HLOS and other announced investment will reduce the business case further to significantly less than 1.0:1 and this means that HS2 should not go ahead.

<sup>33</sup> High Speed Rail: Investing in Britain's Future—Decisions and Next Steps, January 2012, DfT. Map on page 15

<sup>34</sup> March 2012 Command paper—Reforming our Railways: Putting the Customer First

<sup>35</sup> Railways Act Statement 2005 for Control Period 5—paragraph 27

<sup>36</sup> Railways Act Statement 2005 for Control Period 5—paragraph 24

<sup>37</sup> <http://assets.dft.gov.uk/statistics/tables/rai0215.xls>

The new WCML franchise means the private sector make a £5.5 billion contribution to the cost of running the railways, whereas HS2 will require a £25 billion subsidy.

We urge the TSC to respond to the HLOS Railway Act 2005 Statement by requesting that Government undertakes a fundamental review of HS2.

23 August 2012

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### **Written evidence from West Anglia Routes Group (ROR 37)**

#### **HLOS ANNOUNCEMENT**

##### **1. INTRODUCTION**

1.1 The West Anglia Routes Group welcomes the opportunity to provide evidence to the Committee's inquiry. The Group is an association of public and private sector organisations from along the routes running from Liverpool Street and Stratford through north London into Essex, Hertfordshire and Cambridgeshire. These routes are of major strategic importance providing the direct link between Cambridge, Stansted Airport, the City of London and Stratford. In addition they link growth areas along the Lea Valley including Cambridge and Harlow to the Upper Lee Valley to the south. Investing in infrastructure along the West Anglia Routes could unlock wider benefits for the UK economy of over £4.5 billion GVA by 2021 and over £10.7 billion by 2031.

1.2 Currently there is a major tension between longer distance services from Cambridge and Stansted Airport and inner suburban services that have to share the same two-track mainline. This has a direct impact on service frequencies, journey times and overall punctuality which is reflected in the routes having the 4th lowest customer satisfaction ratings in Great Britain (as measured by Passenger Focus in the Spring 2012 National Rail Passenger Survey published in June 2012).

1.3 Given this the West Anglia Routes Group's organisations are working together, with cross party political support, to secure much needed and timely investment to improve services and thus support economic growth.

##### **2. FUNDING ALLOCATIONS**

2.1 The contents of the High Level Output Specification (HLOS) contain a number of positives for London and the south east, in particular the confirmation of funding for the Thameslink Programme and Crossrail. In addition the allocation of £350 million for projects to deliver additional capacity into central London termini is most welcome. This is particularly important for Londoners who make six times as many rail trips per head than anyone else in the UK.

2.2 The provision of various ring fenced investment funds is also welcome. There are a number of stations on the West Anglia Routes which need to benefit from station improvement and Access for All funding. This includes the regionally important interchange at Tottenham Hale, which station usage counts undertaken on behalf of the West Anglia Routes Group suggest serves 6.9 million passengers per annum, putting it in the top 50 most used stations on the national network. There are also schemes in the illustrative options which could benefit from passenger journey improvements and level crossing safety funding.

2.3 The HLOS illustrative options include delivering Lea Valley capacity enhancements. The Group looks forward to working with the industry to further develop this important scheme as part of the Strategic Business Plan process, which will determine in detail what will be delivered in CP5.

2.4 Linked to this is the development fund for CP6 which must allow the preparation of further Lea Valley capacity enhancements including four tracking of the mainline. This long overdue investment should address the ongoing constraints arising from having services suited to a four track mainline operating on a two track railway. Currently there is a major tension between faster limited-stop longer distance services and slower all-stations inner suburban services running on the same tracks. Resolving this by investing in a four track mainline in CP6 will address ongoing capacity, connectivity and journey time issues.

2.5 Also of particular interest to the Group is the mention of a supplementary major project to deliver sufficient capacity north of Ely station (to accommodate freight and passenger growth). This is a long standing strategic issue and its resolution will benefit both passengers and the growing freight sector.

2.6 However the Group is concerned that the HLOS focuses on delivering increased capacity into London termini as a key output. This approach fails to acknowledge the complexity of the London and south east rail network and the role frequent and reliable rail services can play in regeneration and economic development. It is also of concern that specific targets are not set for customer satisfaction and that reduced journey times and improved connectivity are not explicitly recognised as outputs.

##### **3. CAPACITY**

3.1 As noted above, by focusing on capacity outputs for London and the south east the High Level Output Specification does not take into account the wider benefits that investment in the rail network can deliver. In

London the focus on the central termini stations also fails to recognise that there are other drivers of demand for example at other key destinations and interchanges such as Stratford.

3.2 By focusing on capacity at central London termini the HLOS fails to take into account that crowding is often most severe at the interchanges with the Underground Lines which serve central London. This is particularly true on the West Anglia Routes where crowding on inbound morning peak services drops after they leave the interchanges of Seven Sisters and Tottenham Hale.

3.3 A particular issue is the forecast capacity requirements for services into Liverpool Street. It appears that the introduction of Crossrail services in 2018 will see capacity being freed up across the board. Unfortunately this will not be the case for the West Anglia Routes which operate along a separate corridor and only directly benefit if passengers interchange at Liverpool Street or Stratford.

3.4 It is also of concern that there is not specific reference to reducing the number of passengers in excess of capacity. For longer distance services this would mean having no passengers standing for over 20 minutes, while on shorter distance services the focus should be on reducing to acceptable levels the number of people standing per square metre.

3.5 The HLOS should recognise that the need to expand overall capacity at central London termini is only one of several issues that must be addressed in order to improve the experience for passengers on the complex and crowded rail network serving London and the south east.

3.6 A specific issue that needs to be addressed on the West Anglia Routes is the low frequency and irregular service patterns at a number of stations which is a result of infrastructure constraints. However the HLOS focus on capacity into central London termini does not recognise the important role that providing regular and frequent services can play in supporting regeneration and growth, which in turn deliver wider benefits to the UK economy.

#### 4. RECOGNISING WIDER BENEFITS

4.1 In terms of wider benefits the scheme identified in the HLOS illustrative options as delivering Lea Valley capacity enhancements would also make a significant contribution to local regeneration and the national economy. Work by Oxford Economics on behalf of the London Borough of Enfield indicates that investing in infrastructure along the West Anglia Routes could unlock wider benefits for the UK economy of over £4.5 billion GVA by 2021 and over £10.7 billion by 2031.

4.2 The Greater London Authority's strategic planning framework for the Upper Lee Valley identified enhanced capacity and connectivity on the West Anglia main line through Tottenham Hale as fundamental in opening up the redevelopment potential of this area. For example by increasing the frequency at two stations (Angel Road and Northumberland Park on the Lea Valley mainline) a development with a total value of £1.4 billion could be brought forward and the ward with the highest level of worklessness in London could be served by a regular rail service.

4.3 Unfortunately the HLOS does not seem to recognise these wider benefits that rail schemes can unlock.

#### 5. CUSTOMER SATISFACTION

5.1 Rail crowding in London and the south east is more severe and more widespread than in other British cities. Punctuality tends to be somewhat worse than Regional and Inter-city services. Taken together, it is no surprise that customer satisfaction is rather lower. This is particularly stark on the West Anglia suburban routes where passenger satisfaction for the most recent period (as measured by the Passenger Focus National Passenger Survey) was a lowly 73%—the 4th worst in Great Britain and well below the average of all London & south east operators of 82%.

5.2 Given the level of investment outlined it is surprising that the HLOS does not set at least a minimum national target for customer satisfaction. Such an approach would see all franchises having a similar minimum standard, with investment being directed to those routes performing below par. This measure should also encourage improved performance against the Public Performance Measure and reduced Cancellations and Significant Lateness.

#### 6. JOURNEY TIMES

6.1 Given ongoing infrastructure constraints, particularly on the West Anglia Routes, it would have been helpful if the HLOS had considered reduced journey times as a suitable measure of improved efficiency. For example journeys from Cambridge and Hertford along the West Anglia rail corridor to central London take significantly longer than on other routes serving the same destinations.

6.2 With Stansted Airport there are obvious links to aviation policy in the south east since the airport currently has significant capacity but not the fast journey times into central London to match those of Heathrow, Gatwick and Luton airports. The aspiration, shared with Stansted Airport Ltd, is to improve journey times to central London, but this will need major infrastructure investment.

6.3 It would seem that an output around achieving comparable journey times for longer distance services could have encouraged more efficient use of the rail network and airport capacity by offering passengers more choice.

## 7. CONCLUSION

7.1 Overall there is much to be welcomed in the HLOS including the ongoing Government commitment to investing in the rail network. It is also important that the HLOS recognises the ongoing need for investment in London and the south east where demand for rail grows as the region continues to power UK PLC. It is worth noting that in the area served by the West Anglia Routes the population continues to grow strongly, as demonstrated by the 2011 Census which, compared to the 2001 count, has reported an increase of over 15% to 2.9 million people.

7.2 However the focus on capacity as a key output, and the method of measuring it in London and the south east, do not recognise the importance of other factors when determining the optimum strategy for investing limited resources. Despite this the West Anglia Routes Group looks forward to working with the rail industry to deliver much needed enhancements to the corridor by 2019.

24 August 2012

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### Written evidence from the London Borough of Enfield (ROR 39)

#### SUMMARY

1. Enfield Council welcomes the opportunity to provide evidence to the Committee's inquiry. The Government is focused on securing economic growth across the board. The case study set out here shows that the established investment priorities and policies of the rail industry and its sponsors have partially hindered as well as helped economic growth in the Enfield area in recent years. The remit of all bodies, national and local, should in future focus on collaborative delivery to support wider economic objectives. Hence the HLOS process, though sound in general, needs to accommodate this as an explicit objective of the railway strategic planning process.

2. Our evidence sets out the tensions facing an economic development zone aiming for major expansion of jobs and homes and area regeneration, when railway operations, planning and funding priorities are not well directed onto that wider set of targets.

3. Enfield's economic growth is underway. However better alliances and convergence of project priorities by the rail industry and its Government sponsors would greatly assist the present scheme which aims for Control Period 5 (2014–19). It is vital that successor rail project phases in CP6 and later should support the further economic and community outcomes. They should be focused on such outcomes from the start.

#### CONTEXT

4. Transport is a means to an end, not an end in itself. There is a hierarchy of objectives, where discussion on railways can often focus on the inputs and processes to achieve results, and so forget what the overall results are that really matter.

5. The overall worth of the rail network, its corridors and individual services is defined by *outcomes* such as: accessibility to jobs and services, personal lifestyles, industrial activity, economic growth, regeneration, capacity to support more jobs and homes, contribution to other national objectives.

6. The railway *outputs* to achieve these outcomes include: scale of network, service frequency, journey quality for passengers (and freight), and station accessibility. Key *inputs* are the trains, track, stations, staff, interchanges, information, fares and other income, costs and budget.

#### CURRENT LOCAL RAIL USAGE

7. In recent years, passenger demand has grown despite fares increases higher than RPI. This results from economic and population growth and migration, location of jobs and homes, and transport factors such as road congestion. In London, the Underground, buses and DLR are reporting their highest levels of passenger use for decades. The new London Overground network is reporting 116m passenger journeys a year in early 2012, almost three times the previous operations which carried 39m passengers in 2006–07 on Silverlink Metro and the East London Line. National Rail in London and the South East is also busier than foreseen in the last HLOS in 2007, despite the recession, with 17% growth from 2007 to 2011, compared to a projected 9% rise. The Mayor's Transport Strategy forecasts a 67% growth in rail travel by 2031, against 25% on all modes.

8. Within Enfield, the Piccadilly Line has four stations in the west of the Borough and a fifth with part of its catchment, with ca. 15.7 million passenger entries and exits in 2010–11 and 15.8 million in 2011–12. The rest of the Borough relies on the national rail-operated services:

- The central corridor with the Hertford Loop line through Enfield, with six stations in the Borough and a seventh with part of its catchment, and 6.1m passenger entries and exits in 2010–11. This is served by First Capital Connect and is part of Thameslink.
- The eastern Lea Valley corridor with the West Anglia main line and the Edmonton, Enfield and Cheshunt loop, with ten stations and 6.8 million passenger entries and exits. New estimates of West Anglia station usage (discussed below) raise this volume to over 10 million passengers. The West Anglia system is served by Abellio and has an interim franchise. Bidding for a new 15 year franchise is due to begin in December 2012 with the new operator in place by July 2014.

#### CURRENT LOCAL RAIL USAGE—IMPLICATIONS FOR ENFIELD

9. The passenger numbers make a basic point, that the tube with only five stations serving 20% of the Borough is nearly as busy as National Rail with 17 stations serving 80% of the Borough. National Rail local services are less effective than a London-focused operator. This is due to lower service frequencies, lower quality, and less effective marketing. Residents, businesses and developers are the losers, as is the railway business which is not achieving the passenger numbers and revenues (and consequent ability to re-invest in the stations and services) that has been demonstrated to be a virtuous circle with London Overground.

#### CUSTOMER SATISFACTION

10. It is little surprise that customer satisfaction is lower on National Rail lines in London than elsewhere, as crowding and reliability tends to be worse. The latest (Spring 2012) Passenger Focus NPS research shows passenger satisfaction on the West Anglia lines to be the fourth worst in Britain at 73% and far below the 82% average for London & South East operators.

11. The standard of stations and local trains is also well below the qualities set for their counterparts on the Underground, DLR and London Overground. The London Overground operator, LOROL, is explicitly incentivised in the concession to maintain high standards, achieve full staffing and ensure high levels of passenger information. These are further positive incentives which we would expect to be applied more generally across London rail franchises and elsewhere, including the new long term Greater Anglia franchise.

#### POOR RAIL INDUSTRY BUSINESS CASE INFORMATION

12. There is also poor rail industry information about station usage and hence about the business case for investment. In Autumn 2010 and 2011, the West Anglia Routes Group commissioned extensive station user counts from JRC Ltd along the West Anglia lines within and outside London. LB Enfield commissioned additional counts at stations in the Borough, to build a better knowledge base. The previous Anglian train operator, National Express, kindly gave permission for the surveys. TfL assessed and moderated the JRC research.

13. The reality from these surveys is that official station usage data published by the Office of Rail Regulation (ORR) is very deficient at least in the London region. It is based on derivations of ticket sales rather than station counts or “Oyster” clicks-in clicks-out. It uses an old 2001 travel matrix (pre-Oyster and Overground travel patterns) to allocate zonal trips. After adjustment for seasonal flows, the station counts banded by Oyster zone show up to 65% more travel than is estimated by ORR. (*See Background document 1, listed at end of evidence*). The comparative data is summarised below for the West Anglia lines.

West Anglia Routes: ORR/WARG comparisons, annual entries and exits								
Stations in area	no. of stations	ORR 2006-07	% change 0607 to 1011	ORR 2010-11	no. of stations surveyed by WARG	ORR 2010-11 at stations surveyed by WARG	WARG 2010/11, or 2011/12 adjusted to 2010/11	Variance between ORR and WARG
London zone 2	7	2,845,244	+81%	5,136,064	3	2,224,190	3,053,706	37%
London zone 3	9	10,913,565	+12%	12,259,075	6	6,764,678	11,151,655	65%
London zones 456	13	10,422,279	-1%	10,336,281	10	8,986,259	13,541,801	51%
Hertford Line + Roydon	9	6,048,716	-0%	6,046,782	3	2,897,184	3,477,778	20%
Harlow-Cambridge	13	13,626,143	-3%	13,152,412	3	3,606,430	3,941,714	9%
H-Camb excl Stansted Apt	12	8,255,819	+10%	9,078,202				
Cambridge-Kings Lynn	6		+26%	< all stations			all services north of Cambridge	
ORR Stratford and Cambridge based respectively on 6% and 28% of whole station figures, as this is WA approx % of total train service								
WARG 2011-12 counts reduced by 6.2% to reflect lower passenger volumes in London & South East area in 2010/11								
WARG autumn counts reduced by 5% to remove effect of seasonality								

#### RAIL DEVOLUTION

14. Overall, the Borough would welcome devolution of local rail services to Transport for London (TfL), if this were decided this autumn by the Government. TfL has proposed to maintain a London Overground standard on the West Anglia local lines to Enfield and Cheshunt (and Chingford). If a local shuttle service is introduced on the Lea Valley main line (discussed below), TfL is interested in managing that as well. The timing of a

positive Government decision for devolution of West Anglia services would fit well with TfL involvement in the specification of the new Greater Anglia franchise, its funding arrangements and its required *outputs*.

#### ENFIELD'S DEVELOPMENT AND REGENERATION PLANS WITHIN LONDON'S GROWTH STRATEGY

15. Enfield is in the London-Anglia Growth Corridor which stretches along the Lea Valley from Newham and Hackney to Stansted. The Greater London Authority is finalising its Upper Lee Valley Opportunity Area Planning Framework (ULV OAPF) which includes eastern Enfield and parts of Haringey and Waltham Forest. It is a partnership with many stakeholders, from local community groups to Government departments. (*See Background document 2, listed at end of evidence*).

16. The ULV OAPF area shows significant economic under-performance with unemployment higher than UK (6%) and London (6.7%) rates (Oxford Economics 2012, *see Background document 3, listed at end of evidence*). At present, local labour markets are some of the poorest performing in the UK with productivity rates far below London and UK levels, along with pockets of severe national-scale deprivation costing the Exchequer over £3.3 billion in 2010 in costs to the public purse. Employment growth has been weak—just 3% over the whole decade of UK growth from 1998. Productivity has stagnated since 2000 while the rest of London accelerated away.

17. The Upper Lee Valley objective is to secure around 21,900 direct jobs and 18,000 new homes, by transforming the former heavy industrial zones. An additional 15,000 jobs will also be created in neighbouring districts of the Lee Valley Corridor outside London by releasing key strategic sites. It is the vision for reshaping the Upper Lee Valley over the next 30 years, beginning in 2014.

18. The ULV OAPF embraces areas which experienced serious rioting in August 2011, including Tottenham. Urgent transformation of the entire area is the highest priority of the Council and its partners. There are other parts of Enfield which also have priority for economic growth and regeneration, including Enfield Town Centre.

19. The Valley offers excellent potential for future business growth, with the right support and infrastructure investment. Transforming the entire local rail service is a key component, to stimulate developers to invest and to persuade people and businesses to come. People and investors need to trust a reliable, walk-on, high quality transport service which fits their lifestyle in a 24/7 capital city. The West Anglia line is the economic umbilical and the gateway for accessibility. A strong transport offer, early, is therefore fundamental. Without better rail links, development in the Lea Valley and particularly the proposals for a sub-regional town centre at Meridian Water adjoining Angel Road station, lack credibility for developers. 5,000 new homes and 3,000 new jobs are planned here.

20. Detailed reviews of future potential, based on a better economic performance (Oxford Economics 2012), show the Upper Lea Valley could become one of the brightest prospects for future growth leading the UK recovery. Economic modelling shows that the projects could deliver cumulative additional GVA of £10.7 billion (at net present value) within the core opportunity area by 2031 if the three core Upper Lea Valley boroughs (Enfield, Haringey and Waltham Forest) matched employment and productivity rates in wider London. The shortfall in growth across the Lea Valley without rail improvements would mean a loss of around £1 billion to the economy by 2021 and close to £2.5 billion by 2031 as a direct impact on growth and investment.

#### ENFIELD'S RAIL REQUIREMENTS

21. There are committed projects to improve services and capacity on the First Capital Connect route through Enfield Chase, as part of the larger-scale Thameslink project. The Council welcomes these. It also seeks stronger London urban rail marketing and quality specification under TfL's aegis.

22. However the West Anglia main line infrastructure and the approaches to Liverpool Street are capacity-constrained and are working at the limits of operational reliability. Abellio Greater Anglia has reported that the new December 2011 timetable, which improved outer commuter and Stansted Express timings and capacity, has no margin for recovery. When it works, it is very good, but when it has problems, it is very hard to recover the service.

23. The West Anglia main line is only a two-track railway north of Hackney, has at-grade junctions rather than motorway-style "flying" junctions, eight level crossings between Tottenham Hale and Bishops Stortford, and *no* passing loops or 3/4 tracks for fast trains to overtake local trains for over 14 miles between Hackney and Broxbourne.

24. So the railway and its services have compromised *outputs*. Outer commuter and Stansted Express trains are slower and stop more often than passengers would wish, while the timetable at local stations is low in frequency: often only two trains per hour, and less than that at some key ULV regeneration stations such as Angel Road (peak hours only) and Northumberland Park (hourly off-peak). Some trains are shut on Sundays and there is only an hourly stopping service then, totally contrary to TfL urban rail objectives of at least four trains per hour, sometimes more. The railway prevents the *outcomes* which are required.

25. We also note the desires by other stakeholders for better services. For example Stansted Airport has argued for 30 minute journey times to Liverpool Street, which cannot be achieved without extra tracks or a new route for a long distance while retaining existing commuter operations, let alone improving those. Whatever is

done along the middle of the line also faces another *output* constraint. Into Liverpool Street there are only two available tracks out of six in peaks for West Anglia trains and the operational limit has again been reached, about 22 trains per hour in and out of the terminus.

26. Crossrail has limited benefit for Enfield and other West Anglia stakeholders, as railway planners regard the continued expansion of Great Eastern main line peak capacity as more urgent (because of existing and foreseen physical crowding on GE trains) than more West Anglia trains into Liverpool Street. So running more West Anglia trains to achieve *outputs* and deliver *outcomes* is not possible unless those trains go via Tottenham to Stratford Interchange rather than Liverpool Street.

27. A service to Stratford is however a good alternative to Liverpool Street, in its own Opportunity Area with excellent access to the Canary Wharf growth area. Taken together, the Upper Lee Valley/Tottenham Hale and Olympic Park opportunity areas, all linked by the proposed Lea Valley local rail service, account for around a third of all London Plan jobs and homes within Opportunity Areas over the next 20 years.

#### EXISTING RAILWAY PROJECT PROCESSES

28. This is the point at which Enfield Council and other stakeholders interface with the railway planning, authorisation and funding processes for new projects. It is important to highlight two elements: (1) the preparatory processes for those new railway schemes which draw on more than internal operational and commercial necessity for their justification, and (2) the authorisation and funding elements which are largely within the control of the Department for Transport.

29. Improvement of the West Anglia lines to achieve better *outcomes* along the London Anglia corridor is a long-standing objective shared by local and regional partners. The positive starting point is that the line runs conveniently through the Opportunity Areas and its upgrade doesn't require land-take or complicated consents so it is straightforward and feasible. The difficulty is that while spatial reshaping, housing growth and new jobs are partly under way, and the rest wait on the rail improvements, the priority given to necessary spend on the railway is divorced from the wider goals.

30. There is poor liaison at best between Government departments, eg Transport, CLG, Treasury and BIS, to ensure that schemes below the level of the top UK 40 infrastructure projects maintain a converging priority on investment and timescales. Under localism, it can be the responsibility of key bodies such as the GLA or Mayor, and the local councils, to take the leadership on schemes. However unless the rail industry and its Departmental sponsor can match that priority—and *match the thinking on what railway outputs are important, and why*—then there will be a mismatch on priority, outputs and thence *outcomes*. There are related risks with budgeting and funding.

#### RECENT WEST ANGLIA RAIL PROJECT HISTORY

31. Below is what has happened with schemes for better West Anglia *outputs*, despite positive intentions by partners such as TfL and Network Rail. A short set of headlines shows how the current processes has helped or hindered progress with the project at each stage:

- 2007 Greater Anglia Route Utilisation Strategy. Focus on peak-time commuting capacity for England's fastest growing corridor, the West Anglia lines. Long-term hope for four-tracking the congested and compromised section between south of Tottenham and Broxbourne.
- Recession and spending cuts limit rail initiatives to short term squeeze of last slots from existing railway and longer trains—but no urban service improvements on two tracks. In parallel, urban planning nearing full specification.
- 2010 Enfield Council advocates three-track local scheme to kick-start economic growth and regeneration in ULV area. Scheme adapted by TfL as a first phase project. Included by Network Rail in initial scoping for Control Period 5 investment planning for 2014–19.
- 2011 London & South East Route Utilisation Strategy. RUS again geared to peak-time commuting capacity. No further capacity available for local urban services on West Anglia lines without new infrastructure. But LSE RUS acknowledges that there are economic growth needs. Network Rail proposes several investment options for three-tracking.
- Cheapest scheme (£35 million Option C2a) proposed in HLOS2 illustrative options announced by Government for CP5, even though this does not deliver the *outputs* required (walk-on, four trains per hour, all stations). Those outputs would need £250 million Option C2b scheme.
- Train operator warns about performance risk with C2a. Local authorities anticipated this, and also recognise national affordability pressures in CP5, so now propose reduced *outputs* for CP5 with a "STAR" project (a walk-on local rail service, Stratford-Tottenham-Angel Road, by 2016, costing £72–81 million), which retains most critical early-win *outcomes*. See *Background document 4, listed at end of evidence*.
- "STAR" project is now the lynch-pin, unlocking the potential of the Opportunity Area. It can form the starting point for a larger scheme in CP6.



- Department for Transport advises that allocated funds are ca. £21 million. There are some “pots” for potential extra funding (eg level crossings, station access, performance, project development). Third-party contributions required for first phase because of the economic growth elements of the project. This is in parallel to equivalent type of funding for East West Rail which underpins economic development.
- Urgent planning and funding discussions for “STAR” scheme (or close equivalent) now underway with all partners, timed to meet the final Network Rail Strategic Business Plan for CP5 and its submission to ORR for regulatory approval during 2013.

#### LESSONS LEARNT, AIMS FOR THE FUTURE

32. For many lines in the London area, the Government’s High Level Output Statement has been informed by the “peak capacity” approach adopted in the formative Route Utilisation Strategies. These have tried to get more train capacity from the existing railway, and have been heavily influenced by the existing commuting flows, but this falls down with existing stressed rail infrastructure including along the Lea Valley. The Lea Valley spatial strategy—and no doubt other parts of the UK—is about regeneration and economic growth and new communities along entire corridors, not just occasional interventions to manage peak flow commuting volume in individual trains, even if peak capacity is important.

33. For example, a first phase developer for Meridian Water adjoining Angel Road station, currently with a low-frequency peak-only rail service, has tabled plans for 450 homes if without rail improvements, and 850 homes with better rail. The company requires confirmation of rail investment before it will make the leap for more homes. The increased growth releases Community Infrastructure Levy (CIL) and in other areas TIF funding, which would help pay for the investment. However without Network Rail and other partners working closely with Boroughs to predict, plan and invest in future growth, with focus on *outputs* supporting the wider *outcomes*, then the growth can never occur, harming both the wider economy and the viability of transport projects. This is a vicious circle that only better planning can break.

34. Consequently, even though we see progress with a positive HLOS2 announcement in principle on an “illustrative” option, the combination of RUS and HLOS hasn’t served the Lea Valley satisfactorily, because there are still structural gaps in the railway offer. The proposed “illustrative” interventions do not provide a holistic approach to supporting the required *outputs*, nor the *outcomes*. Addressing these deficiencies and keeping to a tight timetable for project specification and funding to converge satisfactorily by the end of 2012, is now the urgent challenge to keep a feasible project on track. It needn’t have been like this. There is the danger of foregone growth, when Parliamentarians know the UK economy needs new jobs and homes right now. As noted in para.27, the STAR project will serve around a third of all jobs and homes in London’s priority sites (Opportunity Areas) for the next 20 years.

35. Steer Davies Gleave, in a report commissioned by Network Rail (The Value of Station Investment: Research on Regenerative Impacts, November 2011) evidences in section 5.3 that areas can see a 30% increase in property values in the immediate vicinity of a station investment scheme. The associated uplift in GVA is estimated to be between 10–15% of the investment cost. Factors like this must be built in to the planning from the outset. Within London, partnering and funding elements such as the Mayoral Community Infrastructure Levy and Growth Fund may also be part of the forward strategy.

36. Looking ahead to CP6, the new process of replacing Route Utilisation Strategies by a Long Term Planning Process isn’t guaranteed to change the situation unless the context of railway priorities is better aligned with:

- the area’s wider planning and development objectives;
- the strategic nature of what is wanted from the railway (eg, conditional *outputs*);
- and the supporting interventions geared up to deliver on that strategy.

37. For the West Anglia main line, we remain clear that the transformation sought in the Upper Lee Valley and elsewhere along the London Anglia corridor will be continuous throughout the next two decades, so railway *outputs* are required which achieve a large measure of three to four tracking within the built-up area, as well as other important elements.

38. For transport more generally, its role in economic growth has been made by many commentators such as Eddington. Relevant infrastructure underpins growth and has done for centuries. BIS have now been given a remit to co-ordinate across Departments to link investment strategies and plans for growth, so that, for example, when DfT are involved in a new scheme and DfE are proposing a new higher education training facility, the two could be linked etc.

39. This same approach is required for rail. Network Rail and others have a massive role to play here, not just on the acknowledged large-ticket schemes such as electrification and Crossrail 2, but also on local schemes (a West Anglia example being Hackney Interchange with the Overground). These will create a backbone of accessibility, underpinning the UK’s growth in the future. We trust the rail industry and its sponsors will embrace that role as leading partners, stimulated by this Inquiry.

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**BACKGROUND DOCUMENTS**

- 1: Assessment of ORR station usage estimates: “Stations Count” article, Jonathan Roberts, Modern Railways, July 2012, pp71–75.
- 2: Upper Lee Valley Opportunity Area Planning Framework, Consultation Document, November 2011. <http://www.london.gov.uk/sites/default/files/ULV%20OAPF%20Draft%20Consultation.pdf>
- 3: Investment and Regeneration in the Lea Valley Corridor—Assessing the potential economic impacts for London and the UK, Oxford Economics, January 2012.
- 4: Upper Lee Valley Conditional Outputs statement, Lea Valley partnering authorities and transport organisations, April 2012.

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**Written evidence from Little Missenden Parish Council (ROR 41)**
**HIGH LEVEL OUTPUT STATEMENT 2012**

You have invited written comments on the recently published the HLOS 2012 statement.

Little Missenden Parish Council (LMPC) wishes to draw your attention to the key issues which we believe are missing from the statement:

1. The proposed electrification schemes do not cover a key area, that is the electrification of the Chiltern Lines, the one remaining main commuter route in the London area not included in any electrification proposals. Under the proposals, sections of the Chiltern Line routes will be electrified, from Oxford to Bicester which will only be used by freight services and from Banbury to Leamington Spa which may also be used by Cross Country as well as freight. The South Wales Valleys routes which are proposed for electrification carry much less traffic than the Chiltern Lines and LMPC considers that the HLOS does not recognise the importance of electrification for these key routes.
2. The information concerning Crossrail indicates no willingness to examine during CP5 the potential to serve other destinations, particularly to the west of Paddington. In particular LMPC wish to see Crossrail extended to High Wycombe and Aylesbury in CP6 at the latest, which would require preparatory work in CP5.

However the proposal to close the section of route between Old Oak Common and Northolt Junction under the HS2 Hybrid Bill (as we have been advised by HS2 Ltd is to be included), will prevent this relatively easy extension to Crossrail ever happening, as well as removing a key diversionary route.

We trust that you will follow up these key issues as part of your examination of the HLOS.

24 August 2012

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**Written evidence from West Yorkshire Passenger Transport Executive (Metro) (ROR 42)**
**HLOS ANNOUNCEMENT**

Metro is pleased to respond to the Transport Select Committee’s call for evidence in connection with the Control Period 5 High Level Output Statement (HLOS). In particularly this response will consider Metro’s view on which schemes/outputs have been prioritised, when these will be delivered and how they will be paid for.

Metro welcomes the commitments made in the HLOS, which have the potential to significantly improve rail services in West Yorkshire and across the north. The identified additional capacity and other improvements will contribute towards on-going sustainable economic growth in the region and the wider benefits this brings to the national economy.

Metro has recently published its latest RailPlan—RailPlan 7, which is part of the West Yorkshire Local Transport Plan 3 ([www.wylytp.com](http://www.wylytp.com)). The RailPlan sets out the rail industry outputs Metro wishes to work with its partners in Government and the rail industry to deliver. These outputs will support economic growth, carbon reduction and quality of life for those in West Yorkshire and beyond. Much of the RailPlan is underpinned by evidence developed in a recent study undertaken by Metro, South Yorkshire PTE and the Leeds City Region, known as the Yorkshire Rail Network Study. This study demonstrates that there are up £12 billion worth of potential benefits to be had from enhancing Yorkshire’s rail network, including from cross-Pennine links to Manchester covered by the full Northern Hub scheme. The proposed investments set out in the 2012 HLOS, particularly the full delivery of the Northern Hub, deliver some of these benefits, which is very welcome. It is Metro’s opinion however that the recent HLOS and magnitude of investment should be the latest stage in a sustained period of investment in the country’s rail network, which in the north of England and Yorkshire has been severely lacking in recent decades, inhibiting the North’s ability to deliver significantly more economic growth in a sustainable manner.

## 1. PRIORITISATION OF SCHEMES/OUTPUTS INCLUDED IN HLOS

*Electrification*—Metro are very supportive of previous commitments to electrify the Trans Pennine route from Manchester to York via Huddersfield and Leeds and the announcement of further electrification from Leeds to Selby.

The principal behind the “electric spine”, particularly the freight benefits, is appreciated. However the Government must ensure that the solutions developed represent the appropriate value from money and affordability thresholds. In particular the development work must consider the case for dual electrification of the route from Southampton to Basingstoke as well as conversion from DC to AC electrification. Given that modern electric rolling stock is already operating on the route between Basingstoke and Southampton it is challenging to understand why this is a priority when there are large numbers of routes elsewhere in the country currently operated with ageing diesel rolling stock.

Metro are appreciative of the constraints that resources place in delivering a large electrification programme by 2019. However there are notable gaps in the electrification commitments in the HLOS which must be developed for delivery as soon as possible, including:

*Sheffield—Leeds:* To allow “electric spine” freight services to access Yorkshire’s primary intermodal rail freight terminals at Leeds Freightliner Terminal and Wakefield Europort, electrified local passenger services between Sheffield and Leeds and, subject to further electrification, conversion of Cross Country services to electric operation.

*Leeds—Hull/Middlesbrough/Scarborough:* Subject to suitable business cases being identified the Trans Pennine electrification should be extended to allow electrically operated services to these destinations.

*Northern Hub*—Confirmation of full delivery of the Northern Hub infrastructure is strongly welcomed. It is important that new rolling stock and additional services are secured to fully realise the potential benefits offered by the new infrastructure.

*Station Improvement*—The Access for All and National Station Improvement Programme funding for Control Period 4 was allocated based purely on passenger footfall. Any future funding allocation should also consider the current condition and facilities at stations. This will allow funding to be targeted at stations where patronage has the potential to be higher, but which may be low at present due to the poor condition of the station.

*Control Period 6 Development Fund*—the Yorkshire Rail Network Study identifies that improvements to the rail network within to and from the Leeds and Sheffield City Regions could generate economic benefits of up to £12 billion. It is important that the CP6 development fund is used to develop solutions that can deliver as much if the identified benefit as possible.

*Capacity Metric*—Metro understand that the capacity metric for Leeds is based on growth projections identified as part of the Northern RUS which represents an industry accepted demand forecasting framework. However local evidence developed by Metro in support of the West Yorkshire Local Transport Plan 3 targets suggests that the rail network needs to accommodate greater demand to maximise the potential economic growth in West Yorkshire while minimising the growth in car usage and the negative effects thereof. Growth above that set out in HLOS should not be precluded as a result of the HLOS. Capacity metrics for future HLOS should consider more locally derived growth forecasts. This has implications for the future governance and funding of local and regional railways.

## 2. DELIVERY OF HLOS SCHEMES

In general the HLOS identifies that schemes, and in particularly the capacity metric, should be delivered by the end of Control Period 5 in 2019. Metro consider it is important for as many of the outputs as possible to be delivered early in the control period to ensure that current connectivity and capacity do not constrain demand growth, and therefore economic activity, during the early years of the Control Period.

The rail industry has a (welcome) challenge in ensuring it has enough capacity to deliver all the schemes set out in the HLOS. A long term, sustained investment plan over a number of decades would allow the industry to equip itself with sufficient capacity to deliver improvements as soon as funding becomes available, so ensuring that the UK economy can reap the rewards of this much needed infrastructure investment as soon as possible.

## 3. HOW SCHEMES WILL BE PAID FOR

Recent investment in rail infrastructure has represented good value for money generating wider benefits for regional and national economies. It is important that funding is identified to ensure on-going, sustained investment to improve rail connectivity and provide additional rail capacity to support on-going sustainable economic growth over a period of decades.

There is a need to balance investment in the rail network between the public and private sector as well as fare payers, treating our railway as a vitally important “common good” that delivers both direct and indirect economic, environmental and social benefits. For example, it would be unwise to assume that the policy of

shifting more and more of the railway's costs onto the fare-payer can continue infinitum, as then the fare payer would end up paying for the benefits enjoyed by all that the railway delivers eg reduced emissions, reduced road traffic and congestion. Such a policy would also price passengers off the railway, particularly those with reduced financial means for which access to employment is essential.

The current taxation system means that the motorist does not pay for the externalities of road travel, and indeed recent research published by the IPPR suggests that the cost of private motoring has risen less in the last 20 years than the cost of living. The cost of public transport on the other hand, rail in particular, has risen by 62% in real terms between 2001 and 2011.

Why then should rail fare payers pay more and more of the cost of rail investment which delivers much in the way of common good, when private road users do not? This is a perverse policy that has not been fully thought through. Whilst Government is right to reduce the unit costs of running the UK's railways, the question of how investment in it is paid for needs to be part of a wider debate on transport funding that has not concluded.

Metro's preferred policy of how rail investment should be paid for is a balance between the fare-payer, the private sector and Government, with fares levels not rising above levels that would price people off and so hinder delivery of wider economic, environmental and social objectives.

Metro does accept that in some places fares may need to increase to support investment and to reflect the quality of the rail product on offer. Metro also believes that Government should consider how rail investment is paid for in other countries and why their rail investment funding models have been adopted, compared to that being used in the UK.

29 August 2012

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### Written evidence from Tony Bolden & Reg Harman (ROR 46)

#### INTRODUCTION

We are independent consultants and commentators on transport matters. We have a particular interest in modern railway practice and how that should perform in the wider economic, environmental and social context. We have written a number of joint articles and papers on this topic and have made previous submissions to the Transport Select Committee,<sup>38</sup> as well as to the Department for Transport.

This brief submission has been prepared for the Committee's further consideration of rail franchising, following the problems encountered with the re-letting of the West Coast Main Line. It has three sections:

- An outline of the main features of rail franchising common to most other European countries but differing substantially from British practice.
- A review of possible weaknesses in the British system when compared to our continental neighbours, especially in terms of the wider impact and value of rail and its relationship with spatial planning.
- Some ideas on possible practical steps forward to improve the effectiveness of developing and providing rail passenger services in Great Britain.

The submission has been kept brief in order to highlight the main points at this stage. The authors would be pleased to provide further information and inputs on particular areas if asked, through written material or oral evidence.

#### RAILWAY GOVERNANCE AND DEVELOPMENT OUTSIDE THE UK

The British system of railway franchising has few if any parallels. The McNulty studies<sup>39</sup> looked in depth at the financial performance of four continental railways; but they paid no attention to the context in which these results have been achieved.<sup>40</sup>

The railways of continental Europe have been restructured over the last fifteen years, following the principles set out in European Union Directive 91/440 and developed in successive Railway Packages. This process has mostly been a steady one and it continues to evolve. While there are strong variations between countries, there exist several common features which differ from the British approach. These include:

- The national railway infrastructure is vested in a national public agency, which is responsible for its development and management. In some countries this body is established on almost the same basis as for the national (trunk) road and waterway agency; in one or two countries there is one combined infrastructure agency.

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<sup>38</sup> House of Commons Transport Committee (2006) *Passenger Rail Franchising* Session 2005–06 14th Report London: TSO

<sup>39</sup> Department for Transport (2011) *Realising the Potential of GB Rail*

<sup>40</sup> Harman R (2012)—letter in MODERN RAILWAYS (February); Schabas M (2012) Benchmarking for dummies in MODERN RAILWAYS (May)

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- The core national network of inter-city and secondary main line services is vested in and managed by the former national railway authority, now functioning as the national passenger company. A medium term formal agreement between government and operator defines responsibilities, services, funding, etc. In principle most governments are looking to sell the national company into the private sector, at least in part. Development of competing main line services has been very limited.
  - The responsibility for franchising regional and local services lies with regional authorities, or in some cases city or district authorities. Usually there is continuing financial support for this from central government. These authorities let franchises to (licensed) operators, which may be major passenger transport corporations or regional and local companies. Such companies may be owned by public or private organisations or even a mixture of both.
  - Local rail infrastructure is sometimes owned by regional or local authorities. They are often the main shareholder in regional rail operating companies.
  - Passenger trains are normally owned by the operators (especially the main national companies) or leasing companies. In one or two countries a publicly owned company owns much of the stock used on regional and local lines and leases it to franchisees.

As a result, there is a wider and sometimes more creative basis for understanding and developing rail passenger services against a broad range of policy aims at regional and local levels, as well as reflecting national policy objectives. Four aspects stand out:

- Regional and local authorities also have responsibility for spatial development, including land use planning and economic, environmental and social development within their area. In consequence they are able to coordinate provision of rail passenger services with the wider development needs and opportunities for the area.
- Regional and local authorities mostly have a strong responsibility for bus and light rail in their area, often through letting franchises for these. They are thus able to oversee coordination of all public transport for their area.
- As part of this, regional and local authorities generally engage in the development of rail and other public transport infrastructure, through their powers for spatial planning, for local investment and for programmes and initiatives. In consequence many regional and local railways across the continent of Europe have seen considerable change over time in their physical and operational structures, through extensions, new and rebuilt stations, changes in format (eg to light rail) and some closures (when replaced by bus or tramway).
- A mix of rail companies has evolved with strong interests in regional and local rail service provision. Some of these are independent; others are wholly or partly owned subsidiaries of major groups. Most have a culture of engaging closely with franchising authorities over development of regional and local services.

#### WEAKNESSES IN RAIL FRANCHISING IN GREAT BRITAIN

A number of strands emerge, especially when set against common features of rail franchising across the Channel. Some of these have been inherent from the outset; whilst others have developed as the franchising process has evolved. They have been covered to varying degrees in the British railway press.<sup>41</sup> In summary the weaknesses which appear in the British system include:

- The franchise process up to now has been over centralised. It has generally failed to understand and involve local decision makers, be it local authorities, business leaders and community groups. These bodies have particular interests and concerns in what rail franchises can deliver for their areas.
- There is a very narrow vision of what franchises are supposed to be. The objectives are very heavily concentrated on financial criteria. Little or no attempt is made to state how a franchise would contribute to economic growth, to environmental sustainability and to social mobility for example.
- There is fragmentation over responsibility. There are a number of different bodies who can affect how a franchise is delivered and this needs to be clarified.
- There has been a tendency to regard franchises on a “one size fits all” approach whereas in reality there are a number of different circumstances at play. There are three broad business sectors affecting railway operations: Inter-City; London & the South East; and Regional & Local, into one of which all franchises fit. Each sector has different characteristics and circumstances affecting their performance, reflecting the areas served, and this should be reflected in the objectives set for each.

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<sup>41</sup> See for example various editions of MODERN RAILWAYS during the franchising era.

- There has been little or no attempt to co-ordinate franchises with other local transport provision. Even within the major conurbations, where transport is cohesively developed by the ITAs, coordination is limited. Of course, the deregulated competitive nature of the bus regime makes this very difficult. Nor have there been any real links with spatial planning and how local authorities perceive the location of future development being accessed by rail services.
- Funding for franchises has been causing problems before the current disarray over the West Coast franchise re-letting occurred. With the expectation that the awarding of new franchises would be based on a longer time period, these problems are likely to grow rather than diminish.
- A similar problem exists over investment. The narrow central framework for franchising means that there is no sound basis for a consistent programme of service development and new investment in stations, rolling stock and services. If franchises are based over longer time frames and answerable only to the Department for Transport, this becomes even more difficult.
- Potential franchise operators focus on the requirements of government, as the sole franchising body, and on the financial and operational aspects of large franchises rather than on the wider aspects of service provision.
- There is a widespread hesitation to understand railway franchising processes elsewhere in Europe, and indeed other aspects of transport provision. Some techniques have been subject to limited trials, usually without widespread adoption. Mostly the lack of follow-up reflects failure to appreciate fully the context in which such techniques are used across the Channel.

We believe that it is essential to continue seeking greater efficiency in provision of railway services. However, the current approach to this concentrates on cost reduction within the existing system but it largely ignores the scope for more productive service provision and investment that full engagement with regional and local bodies would offer.

#### DEVELOPING RAIL FRANCHISING FOR THE FUTURE

Although there are queries over its exact status, the national rail infrastructure in Great Britain vested in Network Rail is in practical terms nationally owned. Indeed, the whole rail system, regardless of ownership, is effectively a national asset: the national regime for franchising and funding the railway system. If use of this asset is to be optimised, to help in meeting key national aims, then the franchising system must be suitable for doing this.

In consequence, we consider that the first task for any reform of rail franchising in Great Britain should be to

- (a) clarify the purpose of the railway system overall;
- (b) enable the purpose of the various franchises to be clearly determined; and
- (c) Identify the roles of rail services in economic, environmental and social development, especially at regional and local level.

There are three main strands to these steps:

- What is the principal aim? What objectives make this up?
- What are the key outputs?
- Over what time period should these be achieved?

In the immediate future it is unlikely that rail franchising in Great Britain can be decentralised significantly. Therefore the criteria for each franchise, and perhaps for sections of franchises, should be developed with regional or sub-regional authorities being involved with the Department for Transport. Developing and letting franchising must be geared to addressing the weaknesses we have identified and learning from the approach used by our continental neighbours.

We believe there are several factors that are important in developing a new franchise structure. These would help to move the franchising system on to a more effective working arrangement so that it meets the two key, but complementary, goals of passenger service quality and promoting a sustainable economic, environmental and social future. In particular we suggest:

- The purpose of passenger rail franchising should be made clearer by establishing a coherent strategy, together with a set of more meaningful objectives, for all franchises. Additionally, separate sets of objectives should be developed for each of the three main service groups: Inter-City; London & the South-East; and Regional & Local. These should cover not just broad financial, operational and passenger quality objectives but should address wider sustainability issues as well.
- Potential franchisees should draw up their proposals for service provision to meet these objectives, identifying what services they could meet commercially and what requires public financial support (whether national or local). They should include proposals for service development, including investment where necessary, and indicate when they could be introduced within the franchise term and what funding would be needed.

- The franchising process should fully engage local authorities, in cooperation with business and community groups. Such bodies have considerable information and awareness of their areas and how future development might evolve. They should also be asked to contribute funding for service support and for investment.
- In order to bring a more localised focus into different parts of a large franchise, potential franchisees should define the management structure for running the franchise. This might include commitment to specific semi-autonomous divisions for groups of lines serving distinct areas. Alternatively they might propose sub-letting one or more lines as micro-franchises, perhaps to locally based operators, within a structure, aims and funding regime agreed as part of the franchise.
- Franchises should be developed on the understanding of operating at a sufficient level all day for seven days a week (18/7). Weekend performance is as important as weekdays.
- More responsibility for stations should be passed to franchisees. This could enable them to undertake management and development in close cooperation with the local authority and other local interests.
- Franchisees should also have much more responsibility for decisions on rolling stock acquisitions. Often rolling stock orders have the potential to affect more than one franchise: two or more orders for new trains might be combined, to give better unit costs, to the benefit of railway operations and industry; or other operations may benefit from cascading of existing stock. Thus coordination between franchisees and other interested bodies over the timing, scale and funding of such orders would be very useful; this might be done by the Department for Transport or more possibly a separate body representing the Department, ROSCOs, operators and manufacturers.
- Performance monitoring is essential, but based upon factors that are useful and readily understood: reliability; punctuality; comfort; cleanliness; and information about services. Appropriate data should be provided by the franchisees as well as from independent sources.
- A complementary strategy should be drawn up for the development of Network Rail and complementary infrastructure addressing the role of rail in relation to wider policies at national, regional and local areas. This should form the basis for coherent programmes of investment projects required to support better service delivery. Such a strategy would make it clear what opportunities face potential franchisees in operating any franchise. Franchisees might offer to invest in the infrastructure as part of their bid.
- The charging regime for the use of Network Rail's infrastructure should be changed. Charges to Train Operating Companies (TOCs) should become more marginal in nature, rather than aiming at recovery of both fixed and variable charges.
- The role of open access operators should be clarified in relation to existing and potential new franchise operators.
- The funding regime for franchises should not be based upon economic forecasts of 10 years ahead, which will inevitably be wrong. Instead shorter term expectations should be used together with periodic reviews of performance.

## CONCLUSION

In developing the franchising system for Great Britain, it is very important to take fully into account the structure and approach to railway franchising and development across mainland Europe. While Great Britain has major differences in regional and local governance, there is great value in considering what aspects of other European practices might be taken on board and how they might be used in British circumstances. In any case major changes are required to the process of passenger rail franchising in order to make it effective and efficient.

29 October 2012