REGIONAL TRANSPORT FORUM - 22\textsuperscript{nd} June 2012

RAIL UPDATE

Report by: Alastair Southgate (Essex County Council)

Purpose:

The introduction of new long term outcome focussed franchises, preparations for Control Period 5 funding decisions and the publication of the Government’s Rail Command Paper; Reforming our Railways together offer unprecedented opportunities for local authorities to influence the future of rail investment and service provision.

Recommendations:

- To note the timetable for the development of the Control Period 5 Delivery Plan.
- To note the outcomes sought by the Rail Command Paper; Reforming our Railways: reducing operating costs, devolving decision making, more flexible passenger franchises, integration between infrastructure and trains, and greater transparency.
- To note the Rail Fares and Ticketing Review and Rail Decentralisation consultation documents.
- To note the timetable for the awarding of rail franchises affecting the East of England.
- To note the launch of the Rail Prospectus for Greater Anglia.

1. Introduction

1.1 This paper provides a summary of the following rail issues;
- Future rail investment
- Rail Command Paper; Reforming our Railways
- Current consultations
- Rail fares and ticketing
- Options for devolving rail decision making
- Rail Franchise Timetable
- Greater Anglia Rail Prospectus

2. Future rail investment

2.1 The Secretary of State publishes High Level Output Specifications (HLOS) and Statements of Funds Available (SOFA) covering 5 year Control Periods (CP). The current control period (CP4) covers 1 April 2009 to 31 March 2014. The next HLOS and SOFA will be published in July 2012 covering CP5 (1 April 2015 to 31 March 2019). This will specify public expenditure to be devoted to rail and what the Government requires the railway to deliver.

2.2 Timetable for CP5 programme development:
30 September 2011 – Network Rail published its Initial Industry Plan.

By 31 July 2012 – Secretary of State for Transport publishes their High Level Output Specifications and Statements of Funds Available.

07 January 2013 – Network Rail publishes its Strategic Business Plan.

06 June 2013 – ORR publishes their Draft Determination. Formal consultation opportunity.

05 September 2013 – Consultation on the Draft Determination closes.

31 October 2013 – ORR publish their Final Determination.

By 31 March 2014 – Network Rail publishes the CP5 Delivery Plan.

3. Rail Command Paper – Reforming our Railways

3.1 Sir Roy McNulty was commissioned by the previous government to examine value for money in the rail industry. His report; Realising the Potential of GB Rail - Report of the Rail Value for Money Study, was published on the 19th May 2010.

3.2 In its Comprehensive Spending Review (CSR) the Government announced that the rail industry should become more efficient and more affordable to the taxpayer.

3.3 The Government’s Rail Command Paper Reforming our Railways, published in March 2012, is the response to the McNulty Report and CSR commitment.

3.4 Key points made in Reforming our Railways include:

- Reforming our Railways is strong on outcomes but less specific when it comes to detailed solutions. Clearly DfT is still considering how to implement it’s ideas. This gives an opportunity to make constructive proposals.

- The key aim of the report is to reduce operating costs, reducing the cost of the rail system to the taxpayer and passenger.

- There will be a strengthened role for the Office of Rail Regulation, but details are yet to be announced.

- The Government is keen to devolve decision making. This is the subject of current consultation.

- Longer term, more flexible passenger franchises will be introduced. These will not specify services in detail but will be monitored against outcomes including punctuality and aspects of passenger satisfaction.

- Greater integration between infrastructure and train operation will be introduced, but this may follow many models.

- Operators to gain greater responsibility for stations; this is currently being trialled during the short Greater Anglia franchise.

- Government wishes to see the eventual end to above inflation fare rises, but also plans to use fares to smooth peak demand.

- Smart ticketing is seen as a big opportunity, offering greater fare flexibility.

- There is to be an overall drive to greater transparency across the rail sector.

- Two consultations; covering devolution and fares and ticketing are open until 28th June.
4. Current consultations

4.1 Government has launched a wide ranging Rail Fares and Ticketing Review that seeks comment upon the following areas:
- Principles of fares and ticketing regulation, interoperability and through ticketing, universal availability, regulated fares.
- Smart ticketing and season tickets, benefits, risks, opportunities, encouraging flexible travel.
- Using fares to achieve more efficient use of rail capacity, flexible commuter fares, “Super peak” ticketing, efficient use of commuter and intercity services.
- Fares and ticketing complexities, advance tickets, cross-subsidy, rail fare information.
- Buying Tickets; ticket offices, making buying tickets easier.

4.2 Government has also launched a consultation covering Rail Decentralisation; Devolving decision-making on passenger rail services in England and is seeking views on the following:
- Experience of existing rail devolution arrangements.
- How decentralisation could contribute towards achieving the Government’s objectives and outcomes for rail.
- Activities that should be devolved.
- The types of service that should be devolved.
- Views on five proposed options for decentralisation and how they might apply or be appropriate to particular parts of the country or service groups in a particular area. Summary of options attached at Appendix 1.
- Views on governance structures.
- Views on funding and how this could be devolved.
- Expressions of interest are invited from sub-national bodies who would like to develop proposals to take on devolved responsibilities for rail services in anticipation of franchises being re-let.

4.3 Both consultations close on 28th June 2012.

5. Rail fares and Ticketing

5.1 Changing technology, such as smart ticketing and new methods of payment, offers opportunities that could make train travel more attractive, more convenient, and more cost effective.

5.2 There is a need to encourage innovation in the market; especially to attract off-peak travel and to make counter-peak travel attractive to regular users. Work patterns are changing and more flexible alternatives to the traditional season ticket should be encouraged.

5.3 While acknowledging the need for innovation, it is also important that the fare structure is straightforward and easy to understand, ensuring that passengers can buy the cheapest ticket for their journey and that the terms and conditions of travel and specific restrictions are easily understood.
5.4 Purchasing tickets should be a simple process with options that enable the use of new technology while acknowledging that some passengers will continue to favour face to face transactions, tickets could be made available through a wider range of retail outlets.

5.5 Innovation is to be welcomed: however, it is essential that the rail system continues to operate as an integrated and complete network with tickets for any journey on the network universally available. It is also important to ensure that rail travel remains affordable to most people and that affordable tickets are available for all journeys.

6. Options for devolving rail decision making

6.1 At present, the existing franchising system is heavily centralised and there is little scope and opportunity for strategic local authorities to influence the Department’s franchise specification or the wider franchising process. Rail services are centrally planned and are not adequately integrated with local transport services. Unlike London, we have no statutory role in being consulted on how rail services are planned.

6.2 Local areas understand local needs best and in the East of England there is considerable support for greater influence over rail provision. Better integration could be achieved if there was a greater role for strategic local authorities in developing and awarding franchises. There should be a formal role for strategic local authorities working with DfT to agree local franchise outcomes and how they should be monitored, and to review franchise bids relative to the agreed outcomes. A requirement to co-operate with Local Authorities and local partners should be written in to franchise agreements leading to an ongoing involvement with the TOC to agree service provision and other local priorities. Local partners could also propose local increments (i.e. specific service enhancements or fare reductions) or decrements (i.e. specific service reductions or fare increases) considered essential to meet local social or economic needs.

6.3 This approach would enable the integration of rail outcomes with local transport plans and other public transport services, ongoing co-operation in the delivery of rail services that best serve the needs of existing and potential passengers, and the delivery of rail services that best meet local economic needs and challenges. Local democratic accountability would be greatly increased while ensuring that enough central control remains to ensure the maintenance of an efficient national rail network offering a universal service to all passengers.

6.4 A combination of local geography, the local rail network and service patterns will dictate the most appropriate devolution option and local stakeholder involvement in each local area.

6.5 The Government is proposing five options;

- Option 1 – Co-signatory status. DfT would work closely with the co-signatories and would endeavour to see their requirements incorporated in the specification subject to adorability and value for money criteria.
- Option 2 – One franchise, one specification. Following a period of consultation with stakeholders including local authorities, DfT would publish its base specification and LAs could then propose increments or decrements to the base.
- Option 3 – One franchise, multiple specification. DfT devolves funding to local authorities for an agreed service group. The whole franchise would be tendered as
one, but bidders would be required to price devolved service groups separately within
the overall total. Award of the franchise would be considered on the basis of total
price for whole franchise.

- Option 4 – One principal franchise, one or more “mini-franchises”. DfT would procure
and manage a principal franchise. Operationally self-contained service groups or
routes could be separately tendered and locally managed as “micro-franchises”.
- Option 5 – Entire franchise devolved. A group of local authorities would form a
consortium to take responsibility for specifying, funding and managing a wider
network of services. DfT would allocate a grant to fund the devolved services.

6.6 In broad terms, the degree of local decision making increases from option 1 through
to option 5, accompanied by increased financial commitment and consequent risk.

7. Rail franchise timetable

7.1 The new Greater Anglia franchise will run from 5th Feb 2012 to July 2014 and was
awarded to Abellio (trading as Greater Anglia) on 20th October. The process to
select the operator of the following long term Greater Anglia franchise will commence
in late 2012. It should also be noted that Crossrail services, once they start
operating, will not form part of the future Greater Anglia franchise.

7.2 The current Essex Thameside franchise operated by c2c (part of the National
Express Group) was due to expire in May 2011 but has now been extended until 26th
May 2013. Expressions of interest and PQPs have been submitted by interested
TOCs and a franchise consultation closed on 11th May. The Invitation to tender for
the proposed 15 year franchise is expected to be issued by DfT in June 2012 with the
successful operator announced in January 2013. The following four operators have
been shortlisted;
- Abellio Essex Thameside Limited (NV Nederlandse Spoorwegen)
- First Essex Thameside Limited (FirstGroup plc)
- MTR Corporation (Essex Thameside) Limited (MTR Corporation Limited)
- NXET Trains Limited (National Express Group PLC)

7.3 The combined Thameslink, Southern and Great Northern franchise will bring
together all of the services currently operated by two franchisees: First Capital
Connect in 2013 and Southern (including Gatwick Express) from July 2015. In
addition, some services will transfer from Southeastern in 2014 and 2018. The new
franchise will run for a minimum of 7 years starting in September 2013. A formal
consultation was launched on 31st May 2012 and closes on 23rd August. The
Invitation to Tender will be issued in October 2012 with the successful bidder
announced in May 2013 and the contract commencing in September 2013. The
bidders are:
- Abellio Thameslink Limited,
- First Thameslink Limited,
- Govia Thameslink Railway Limited (Go-Ahead Group and Keolis SA),
- MTR Corporation (Thameslink) Limited
- Stagecoach Thameslink Trains Limited.

7.4 The next InterCity West Coast franchise will start on 9th December 2012 and will
run until March 2026 when it is expected to re-awarded to align with HS2 services.
The invitation to tender was published on 20\textsuperscript{th} January 2012 accompanied by a flexible Tran Service Requirement outlining minimum service levels. Four bids were shortlisted for the franchise with the successful bidder announced in August 2012:

- Abellio InterCity West Coast (Nederlandse Spoorwegen)
- First West Coast (FirstGroup)
- Keolis / SNCF West Coast (Keolis and SNCF)
- Virgin Trains (Virgin Group and Stagecoach Group)

7.5 National Express East Coast handed over control of the \textbf{East Coast} mainline Intercity services to the East Coast Mainline Company Limited on 13 November 2009. ECML is a subsidiary of Directly Operated Railways. Directly Operated Railways is a company owned by the Department for Transport. The current franchise runs to December 2013 when it will be let to the private sector.

7.6 The \textbf{East Midlands} franchise serving St Pancras and cross country services from Norwich has been operated by East Midlands Trains (part of the Stagecoach Group) since November 2007.

7.7 \textbf{London Midland} (a subsidiary of Govia) has operated the West Midlands franchise with local services from Bedford and St Albans since 11 November 2007.

7.8 \textbf{CrossCountry} (Arriva UK Trains) has operated services from Stansted Airport to the Midlands since November 2007.

8. \textbf{East Anglia Rail Prospectus}

8.1 A Parliamentary Rail Summit, Chaired by Chloe Smith MP, took place in late 2011 with a second summit on 17\textsuperscript{th} May 2012 with the aim of co-ordinating a campaign by MPs and business across Essex, Suffolk and Norfolk to promote investment in our railways.

8.2 A Rail Prospectus for Greater Anglia has been drafted which puts forward the case for a realistic and technically feasible programme of improvements between now and 2032, which will help create thousands of jobs and deliver billions of pounds of growth to the UK economy. The Prospectus has been produced by Local Enterprise Partnerships, Chambers of Commerce, the wider business community, MPs, local authorities and a wide range of stakeholders and decision-makers from Essex, Norfolk, Suffolk and Cambridgeshire covering the area of the Greater Anglia franchise.

8.3 The Prospectus has been produced at a pivotal time for the rail industry, recognising the key window of opportunity presented by the re-letting of the Greater Anglia franchise and the Department for Transport’s High Level Output Specification and Statement of Funds Available for Network Rail’s Control Period 5 and beyond (CP5, 2014/15 to 2018/19).

8.4 A formal launch of the Prospectus will take place at a meeting between local MPs and the Secretary of State for Transport in late June.