

Strategic Transport Forum

29th March 2019

Agenda Item 5: Rail Operator's Perspective – Rail Franchising

Recommendation:

It is recommended that the Forum:

- a) **Notes the recent announcement by the Williams Rail Review (19th March 2019) that a further call for evidence has been launched**
- b) **Agrees that the Chair be delegated to agree a further submission to the Williams Review**
- c) **Considers the presentation by Chiltern Railways on their franchise experience and identifies lessons learnt that ought to be considered moving forward**

1. Context and Purpose

- 1.1. The Secretary of State for Transport formally launched the Williams Rail Review on 11th October 2018.
- 1.2. England's Economic Heartland has been actively involved in the Williams Rail Review since its inception: in December 2018, the Forum received an oral briefing from Joshua Monaghan in the Williams Rail Review team; and in January 2019, EEH Business Unit submitted an initial response to the review, on behalf of the Forum. EEH's initial response is provided at Annex 1.
- 1.3. On 19th March 2019, Keith Williams, Chair of the Review, announced a further and more focussed call for evidence. As part of this announcement, Keith Williams has highlighted some of his early conclusions, most notably focussing on the need for people-led solutions. Keith Williams said,

"There needs to be a much stronger focus on passengers. This has been common ground from everyone we have spoken with. Passengers must be at the heart of the future of the railway.

And not just the passenger of today, but also the passengers of tomorrow, who will look at rail differently than we do today and hopefully, if we do our job right, as part of a more integrated transport network.

Moving to a customer focused railway won't be easy and I want to make it absolutely clear that trade-offs will be unavoidable when I come to make my recommendations - for example, between a system that delivers a national network and is responsive to local interests."

2. England's Economic Heartland's Position

- 2.1. England's Economic Heartland has consistently said that our focus for the transport system must be to provide the user (both as individuals and as businesses) with reliable and affordable choices from a transport system. EEH believes the rail industry must be viewed as an integral part of that system, not a discrete entity in its own right. And that our approach should be driven by the need to focus on delivering this as an outcome.
- 2.2. EEH's position has also been to emphasise the critical importance of having a genuinely long-term approach to the planning and development of the rail system – but only if it is part of a wider approach that is itself strategic in approach. One that links investment in the rail system with investment in other forms of connectivity (both physical and digital), and which links investment in the transport system as a whole with consideration of economic growth, which in turn is linked with planning for communities.
- 2.3. One of the key elements of this approach is the way franchising arrangements have been designed, to ensure they have the right level of investment, long-term commitment and people-led decision making.

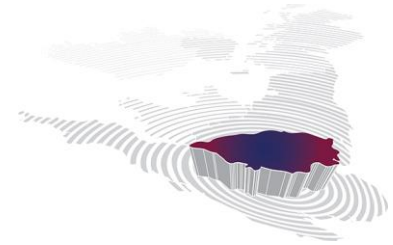
3. Chiltern Franchise

- 3.1. The success of the Chiltern Railways franchise to date is built on the premise of a long term relationship between the railway network and the people it serves. This approach is in line with the interim findings of the Williams Rail Review.
- 3.2. Chiltern Railways will prove the Forum with a presentation on lessons learnt from its current experience of running the Chiltern Franchise. It will also use the session to reinforce the case for initial services on East West Rail being introduced by an existing operator. As a new strategic rail link – one that will fundamentally change travel patterns – it is important to gain experience before determining how best to put in place an operator for the longer-term. Such an approach has the added attraction of enabling the opportunity to consider the case for incorporating changes to existing services on the rest of the national network: East West Rail services must not be isolated from the rest of the services on the network.
- 3.3. The presentation will provide a useful insight for the Forum into how people-led railway decision making can be a success. The discussion is not intended to be a holistic debate about the structure and functionality of the railway in the context of the Williams Rail Review. It instead provides an insight into an example of where the railway has enjoyed success, and where lessons can be learnt for the future.

4. Next Steps

- 4.1. The Williams Review decision to develop a much stronger focus on passengers should be welcomed by the Forum.
- 4.2. Following the meeting, England's Economic Heartland will develop a detailed response to the next phase consultation, which will be circulated to Members. Part of England's Economic Heartland's response should be a case study of the lessons learnt from Chiltern's franchise, as presented to the Forum today.

Naomi Green
Head of Technical Programme
March 2019



ANNEX 1 - RAIL REVIEW: INITIAL SUBMISSION

January 2019

1. Context

- 1.1. England's Economic Heartland Strategic Transport Forum welcomes the announcement of the Rail Review. The Forum is the Sub-national Transport Body for the Heartland region: identified by Government as a national priority in terms of the ambition to realise its economic potential in a way that achieves net betterment.
- 1.2. It is absolutely critical that in focusing on the rail industry the review does not become too inwardly focused. The rail industry is a vital component of the wide transport system, a system that needs to be developed in support of the delivery of planned growth. It is therefore essential that in forming its views on the future of the rail industry the Review begins by working with key strategic partners external to the industry - such as the Sub-national Transport Bodies - to better define the role of the rail industry within that wider transport system.

2. Strategic Considerations

- 2.1. The review must most definitely not become simply a question of reviewing structures within the rail industry.
- 2.2. Whilst it is undoubtedly true that the current system has resulted in significant investment in new rolling stock and that there continues to be considerable investment made in rail infrastructure, the existence of flaws in the system manifests itself in a number of ways:
 - i. The critical role of the rail system in enabling the delivery of planned growth is not properly reflected in developing the specification for passenger services.
The Government has indicated it is supportive of the ambition (identified by the National Infrastructure Commission) of doubling, if not tripling, the economy across the Heartland and of doing so in a way that delivers 'net betterment' to the region. Achieving this ambition is not 'business as usual'. Notwithstanding the rise of the digital economy, growth on the scale identified by the National Infrastructure Commission is transformational and will require investment in additional transport infrastructure and services.
In this context, the rail system - both passenger and freight services - must play an even greater role in enabling the delivery of planned growth. It must do so as part of a truly integrated and co-ordinated approach to investment in our transport infrastructure and the services that use them.

We should look to invest in rail infrastructure and services as a means of connecting people and places with opportunities and services. We should look to invest in new rail infrastructure and services linked with planned growth ahead of need as a means of enabling more sustainable travel patterns to be possible right from the start.

Our approach to investing across the transport system must avoid situations where investment designed to achieve more sustainable travel patterns is then undermined by investment in other parts of that system. In particular investment in strategic rail schemes (such as East West Rail) should not inadvertently be undermined by parallel investment in strategic highway schemes (such as the proposed 'expressway').

Our focus for the transport system must be to provide the user (both as individuals and as businesses) with reliable and affordable choices from a transport system – the rail industry must be viewed as an integral part of that system, not a discrete entity in its own right.

Our approach should be driven by the need to focus on delivering this as an outcome. We must reassess whether the current distinction between capital and revenue investment inadvertently acts against the need on providing infrastructure and services that meet the user need.

- ii. Our approach to the long-term planning and development of our rail network must evolve quickly in order to better address the need for it to support the changing spatial geography of England's Economic Heartland.

It is an indisputable fact that our current approach to long-term planning and development continues to be dominated by an over-emphasis on routes and services that spin out radially from London. Any proposal for devolution of the rail industry based on the historic network of radial routes and services runs the severe risk of perpetuating this focus thereby running counter to broader Government ambitions for a rebalancing of the economy nationally.

Moreover it also runs the severe risk of undermining broader ambitions for regions such as England's Economic Heartland.

The National Infrastructure Commission's report into the Oxford – Milton Keynes – Cambridge corridor highlighted the once-in-a-generation opportunity to use the delivery of an east-west multi-modal spine (of which the delivery of East West Rail is an integral part) to achieve a step change in connectivity. The Commission went on to set out how improved connectivity across the region was essential to it realising its economic potential.

It is important to recognise that East West Rail is not just about improving east-west connectivity: it is integral to improving connectivity in the round. The intersection of East West Rail with the historic main-lines centred on London provides a unique opportunity to provide new travel opportunities that are not only more relevant to residents and businesses across the region but which avoid the inconvenience of having to travel into/out of London. In truth the constraints inherent with the latter are such that it is often not an attractive alternative to the car.

Another example of how the radial nature of our rail network serves to taint our approach to the planning and development of its long-term future is the case of the Croyley Rail Link. In this instance the extension has been seen through the Whitehall lens of it being an extension of the London Underground system, whereas it also has the potential to create new opportunities for orbital movement linking Hertfordshire with Buckinghamshire and beyond. If seen through the lens of the

need to reduce pressure on the M25, the potential of such a link warrants further consideration as a matter of some priority.

All of this serves to emphasise the critical importance of having a genuinely long-term approach to the planning and development of the rail system – but only if it is part of a wider approach that is itself strategic in approach. One that links investment in the rail system with investment in other forms of connectivity (both physical and digital), and which links investment in the transport system as a whole with consideration of economic growth, which in turn is linked with planning for communities.

Experience shows that notwithstanding the good intent, it is not possible to achieve such a 'joined up' approach within Whitehall. It requires a strategic approach at the regional level: the kind of approach for which the Sub-national Transport Bodies have been established.

- iii. Our approach also needs to quickly evolve to integrate planning for rail freight, not just as part of planning within the rail industry but more broadly as part of the wider transport system.

In taking forward the work on the overarching Transport Strategy one of the first pieces of technical work commissioned has been a Freight and Logistics Study. The rationale here was quite simple: given the primary focus for the Heartland is realising the economic potential of the region, then understanding the future requirements of the business community when it comes to freight and logistics is absolutely critical. As an aside it is perhaps worth recalling that the original driver for investment in railways was the transportation of freight.

At a strategic level the London Mayor's Transport Strategy sets out his ambition to remove long-distance through freight movements from the Gospel Oak to Barking line: the argument being that this will free up space for additional passenger services.

In supporting the London Mayor's Strategy this Forum emphasised the need to work together in ensuring that an alternative strategic route is available to accommodate the displaced freight movement.

The East West Rail corridor is a potential alternative and this Forum has signalled its desire to work with partners to ensure that it has both the capability and the capacity to undertake that role.

At the moment the proposals being developed by the East West Railway Company on behalf of the Secretary of State only provide for the capability (in terms of avoiding weight restrictions) and current capacity requirements along the corridor. Additional investment in capacity would be required in order to accommodate diverted freight movements from the Gospel Oak to Barking route.

The challenge at the moment is that the rail industry views investment in freight capacity as being driven by market forces. However, in this instance the ambition to redirect freight movements is driven by public sector policy choices.

It is entirely appropriate for the public sector to set the framework within which the rail industry is developed but in doing so it must also accept that a consequence of such an intervention may be the need for the public sector to make the investment on the basis of the wider public good derived from it.

- iv. There is a need – through the review – to address barriers that currently exist which potentially act against the public interest.

As noted elsewhere, realising the economic potential of the Heartland whilst at the same time achieving 'net betterment', is not 'business as usual'. Our approach to the planning and development of the rail network must be as part of a truly integrated transport system.

Increasing the attractiveness of public transport will continue to be a key driver of any future planning. There is compelling evidence that shows that convenience and seamless interchange are two of the key concerns for users. Failure to address weaknesses with either of these drivers reduces the attractiveness of alternatives to the private car.

The Review should therefore examine the extent to which the fact that competition laws prevent a bidder for a rail franchise from explicitly using their ability to run local bus services to develop an integrated offer to the public.

Whilst it is appreciated that the current position in this respect is driven by the need to avoid encouraging monopoly positions, in an environment where the strategic policy driver is to encourage greater use of public transport there is a need to review whether it in fact inadvertently acts to suppress use of public transport.

It is acknowledged that provisions within the Bus Services Act provide local authorities with the mechanisms for encouraging integration of bus and rail services, the Review should explore whether changes in the current competition laws might be a more effective mechanism, one that might unlock further innovation amongst public transport operators to the benefit of the user.

- v. The Review should look to use the establishment of the Sub-national Transport Bodies as an opportunity to engage with local partners in a strategic conversation on the future of the rail industry.

Government has encouraged the establishment of Sub-national Transport Bodies on the basis that they are an effective forum for engagement on strategic transport issues. We would encourage the Review team to build on the momentum achieved by the Sub-national Transport Bodies and work closely within them – both individually and collectively.

- 2.3. England's Economic Heartland Strategic Transport Forum is keen to work closely with the Rail Review team as it moves forward with its work.
- 2.4. The Government has identified realising the economic potential of the Heartland as being a national priority. An effective and efficient rail network, as part of an integrated transport system is essential if that Government's ambition is to be realised at the pace it seeks.
- 2.5. We look forward to working with the Review team over the coming months.