

promoting quality public transport.....

Department for Transport
 London SW1P 3JA

30th May 2019

Dear Mr Williams,

WILLIAMS RAIL REVIEW

1. Introduction

1.1 TravelWatch NorthWest (TWNW) is an independent Community Interest Company representing all public transport users in North West England. We are pleased to give our views as follows to this review.

2. Commercial models for the provision of rail services that prioritise the interests of passengers and taxpayers

2.1 The railways are not a true commercial organisation because of the enormous costs of operation, particularly for maintaining and renewing its unique infrastructure. Railways are an environmentally propitious and economically essential public service that should be encouraged to attract passengers (and goods) from more damaging – less sustainable - modes of transport. Rail particularly has the potential to provide a vital sustainable underpinning of society. Therefore, TWNW 's view is that they justify subsidy. In an industry where a long-term view is vital, franchising has suffered from short-terminism and a competitive pressure to keep bids low, not allowing the wider strategic view and greater investment to enhance the product.

2.2 Most passenger rail services are a virtual monopoly therefore in the absence of direct competition the profit motive does not always equate to better passenger service. A monopoly that is seeking to contain costs within an intrinsically high cost base industry (partially a result of fragmentation) will not necessarily improve passenger facilities.

2.3 Rail is not like air and competition on the track as envisaged by the Rail Delivery Group can lead to greater complexity and confusion for passengers. We are unsure how this would operate within the framework of a fully integrated rail network.

2.4 A particular potential pitfall would be the considerable use made of long distance services for local journeys, particularly where no alternative service is available e.g between Warrington Bank Quay and Wigan North Western.

Having said that the small number of Open Access services on some Inter City routes have worked well with good passenger benefits, although with limitations on flexibility and through ticketing. On occasions there have also been difficulties with using other operator's trains during disruption.

2.5 Championing the interests of passengers should always be a priority. As for taxpayers, although many do not travel by rail it should be recognised that their contribution to rail services is helping the experience of road users by helping to reduce congestion. One of the problems with the current model is that investment in rail is not seen in a broad context of overall benefit to transport and the environment.

2.6 We do, though, advocate more local input through the medium of Community Rail Partnerships and other stakeholders. The Settle – Carlisle line's Railway Development Company is a good example of devolved local management and initiatives in promoting the railway to the benefit of the local communities and the various categories of passenger alike.

2.7 We also refer to your issued publication 'Current railway models: Great Britain and overseas – Country summaries Evidence paper', issued in April 2019. We are of the view that this publication provides some strong evidence that over the past 25 years the UK Rail Franchising has got things wrong. Like all complex systems, there are successes. However, to focus only on these is to be complacent and to lose sight of the fact that the overall financial cost of the system, its inefficiencies, and inconsistencies. The current franchising system is broken.

2.8 The 'Evidence Paper' is a really good overview of other country practices which all seem to basically have a track and train split (on paper at least) and then only one or two TOC's. They are far simpler than in the UK, which has one of the most complex railways in the world with the number of TOC's/FOC's. This complexity is made worse by the absurdly short franchises, the unrealistic expectations of earnings, with resultant inflated promises of dividends to the Government. That situation is made even worse when the demands for new rolling stock is added.

3. Rail industry structures that promote clear accountability and effective joint-working for both passengers and the freight sector

3.1 Our key view is that the rail industry needs to be restructured into a more co-ordinated entity, in particular bringing infrastructure control and operations much closer together. The rail industry is very fragmented and it can be argued that this model has brought with it an artificially high cost base arising from the following illustrations -

- Profits for each constituent railway organisation/ company
- Delay attribution costs
- Legal/ contractual costs
- Rolling stock leasing costs – do we need ROSCOs?
- Costs of regulation

- Branding & rebranding of rolling stock
- Rebranding of stations, staff uniforms, timetables
- Cost of the franchise bidding procedure
- The barriers of various kinds created by franchising between TOCs for the passenger - not least in the attitude of TOCs to other TOCs connecting services, covering for cancelled services, ticketing, co-operation at times of disruption, etc.

3.2 A more homogeneous organisation could bring economies of scale and provide a co-ordinated network with a more passenger beneficial environment. The benefits of franchising have been cited as engendering a substantial growth in passengers. However there is evidence (<http://www.theitc.org.uk/wp-content/uploads/2017/05/ITC-Report-Rail-Passenger-Demand-November-2018.pdf>) which demonstrates that such growth would have happened anyway due to, for example, a strong job growth in England and Wales since 1995 in many of the categories that have a high proportion of rail commuters. Indeed it can be argued that such growth would have flourished more effectively under a more co-ordinated rail structure capable of a more holistic, strategic approach in contrast to the short term nature of franchises.

3.3 As an example of the adverse effects of fragmentation there have been occasions when operators have not worked together at times of engineering disruption. In the winter of 2016 West Coast Main Line viaduct over the river Clyde at Lamington was destroyed by severe weather. The disruption continued over a period of about 7 weeks whilst the difficult repair job was carried out. At the time TOWNW raised concerns about the lack of a comprehensive timetable published that included all operators (Virgin, TPE, Scotrail). There have been some improvements since but this shows the value of an overriding authority as commented on in the next paragraph. Possibly the greatest example of a failure in honesty and cooperation between operators, Network Rail and the DfT was the massive breakdown of the May 2018 timetable. Here in the North West we endured the major timetable problems of Northern Rail. Despite claims to the contrary, any informed observer travelling across the Region (and particularly between Manchester and Preston) could see that the electrification works were falling behind. Surely the industry partners could see the same. Yet it was obvious that the various partners were not being honest with each other months before May 2018.

3.4 We welcome the view of the Rail Delivery Group that there is a need for a new strategic body in charge of the whole industry. There has to be an element of control over passenger services to plan future strategy for the entire network and to give maximum network and passenger benefits. This body must develop effective relationships and partnerships with the regional transport authorities that have been established (Transport for the North, West Midlands etc.).

3.5 However, this body should not also seek to provide passenger representation which must be independent (see below). In fact, passenger representation as such does not appear to be mentioned in the review. This is crucial for passengers. Some years ago the regional statutory bodies representing passengers were abolished to the detriment, we believe, of local rail users. We advocate their restoration which would be in line with a greater emphasis on an increasing role for local stakeholders as outlined above and also, in this part of the world, would fit well with the devolved authority of Transport for the North. Such bodies must be totally independent and TOWN would be well placed to fill this role.

3.6 Changes in travel patterns and economic activity, such as housing developments and longer distance commuting, have impacted on rail travel. It will be impossible to deliver higher patronage targets and maximise the benefits of capital investment without major improvements in punctuality, reliability, quality and reductions in overcrowding. These factors, if of poor quality, can be strong deterrents to rail travel and patronage growth. The rail industry must adopt greater focus on operational efficiency, including the training and development of skilled railway operating personnel. The new Chief Executive of Network Rail has warned that railway operation was too far down Network Rail's agenda, and the emerging plans for the reorganisation of Network Rail are aimed at reorganising to put passengers and freight users first'. The railway industry and government must work actively with Network Rail to ensure the greater focus on operations.

4. A system that is financially sustainable and able to address long-term cost pressures

4.1 There needs to be a completely new approach to financing public transport in this country, taking a holistic view of all transport. In today's railway structure there is no coherent strategy for investing in and promoting rail. We are simply not giving anything like enough attention to win people to rail in order to help combat climate change and protect the environment. For example, rail needs to attract many more passengers from internal air flights and roads to help lower carbon emissions, dependence on fossil fuels and relieve congestion. Financial sustainability and long term costs must be seen in this context.

4.2 Also, one must ask, is the balance of what the passenger (customer) and the state pays correct. Given the vital role of railways in underpinning the economy of the UK, its unique ability to contribute to sustainability their finance must be reviewed. Compare UK regional railway operations with, for example, the Regional train network across France *Transport express regional*. TER is an integral part of SNCF Proximités, a branch of the SNCF dealing with urban and regional passenger rail. Interestingly, the TER services are heavily subsidized by French taxpayers. On average, 72% of the cost is borne by the State and the regional councils, with passengers paying only about 28% of the cost (in sharp contrast to the UK). We are not advocating irresponsible spending of state funds but properly managed increases in financial support for railways where clear socio-economic benefits (i.e. benefit:cost ratios) can be identified.

4.3 There is also the case of the ROSCOs which can be perceived to act in their own commercial interests rather than the good of the railway network as a whole. There are other models for the provision of rolling stock that should be more widely adopted across the UK, as an alternative to ROSCOs. The example of the Merseyrail replacement rolling stock shows an alternative way of funding such items.

4.4 Also, the current rolling stock procurement system is not conducive to cost control. Whilst the majority across the north will be glad to see the end of the awful Pacers, a new type of stock is being introduced that is non-standard. Some years ago the Network Rail Route Utilisation Study on Rolling Stock emphasised the need for greater standardisation. Such a concept is not new, and the railway companies in this region adopted standardisation of locomotives and rolling stock from the late 19th century. In contrast to the UK in France, SNCF introduced a standard class of regional units, both diesel and electric, that were built in large numbers, bringing major efficiencies and cost savings.

4.5 The ORR Report 'Understanding the Cost of Rolling Stock', January 2015 highlighted some key facts about the problems with the ROSCO model, including:

- A high level of variation between the total costs associated with rolling stock for each of the TOCs;
- The present system of rolling stock creates major challenges to TOCs in managing and controlling costs;
- As much as operators take part in cross-industry forums to discuss fleet reliability and share best practice, the franchising system in the UK ultimately means that these same operators are at the same time directly competing for franchises. Therefore, there is a disincentive to truly cooperate as it could undermine their own commercial position;
- The lack of alternative rolling stock at any given time increases costs;
- That lack of rolling stock also limits choices and also places a constraint on an operator's ability to control costs through, say, switching to alternative leasing options;
- The current dominance of diesel traction adds to operators' overall cost base. For example, whilst Virgin Trains fleet portfolio includes only 15% diesel rolling stock, the cost of diesel accounts for 40% of its total energy costs. In a number of cases operators have no choice but to run diesel stock, as areas of their network may not be electrified.

4.6 Whilst outside the scope of this review, there is an argument for a massive expansion of cost-effective electrification. In the longer term a wider ranging programme will bring down the per kilometre costs of electrification, and in turn this bring down operating costs and accelerate the railway's contribution to sustainability and economic regeneration. On 5 March 2015, the North of England ETF published its report, 'Northern Sparks', stating that: *"Across the world a modern urban or indeed intercity railway is an electric*

railway because there are a number of significant benefits from electric traction". TWNW fully supports this view.

5. A railway that is able to offer good value fares for passengers, while keeping costs down for taxpayer

5.1 The existing fares structure is complex - there can be a marked contrast between many anytime fares, which are very expensive and advance tickets which can be an excellent way of saving money on long journeys. Currently with advance fares there needs to be better collaboration between TOCs in allowing flexibility of use as uninitiated travellers can be confused. On a journey involving two or more operators the best fare should be offered for the overall journey

5.2 With individual operators introducing more tickets specifically for their own services any new structure should assess the value of this as against the benefits of flexibility. It could be said that single operator tickets promote fragmentation and erode network benefits. There are mixed views about competition on the track and whereas many passengers will welcome cheaper fares albeit with single operator restrictions, it should be recognised that rail as a whole is in competition with the car, airlines on long-distance routes and road coaches on others.

5.3 Adding to the comments in 2.3/2.4 the example of existing competitive fares between Preston and Lancaster on the WCML is apposite. There are 3 operators on this route - Northern and the long-distance Virgin and TPE. There is also a plethora of fares. There is certainly competition now but it is probably rather confusing as there are no less than 6 different day return fares to choose from, ranging from £6.00 to £9.40 depending on operator and time of day. The cheaper fares have restrictions, some operator specific. Whether passengers are fully aware (or are fully advised) of the ticketing constraints we cannot comment on but to add yet more competition and thus complexity to this local flow might be questionable.

5.4 We believe that fares regulation should continue. It has to be said that there have been for many years relentless inflation-plus fares increases with the purpose of passing cost from the taxpayer to the passenger. This has gone far enough - see paragraph 2.5 above.

5.5 We support a Pay as You Go system in the North West. It would require detailed work on how it could be structured in a complex multi urban hub region. It should embrace all transport modes and offer good discounts on travel as in the London scheme.

5.6 At a time when rail passengers are increasing in number and more of them are frustrated in finding a space to park their car at a rail station the availability of integration between rail and other modes including bus should be of increasing importance. Much more could be done to improve the availability of integrated ticketing for varying modes to allow "complete journey" purchases. For example, there are inadequacies with through

ticketing between Manchester Metrolink and other public transport modes which have been in existence ever since the system opened in the 1990s, and are exacerbated as the system grows. The complexities of the current railway structure and uncertainties about ownership of issues like this has evidently held up any progress towards remedying this situation. This is a role that a new overarching rail body could take on. Devolution of powers to such bodies as Transport for the North will also help this process.

5.7 During April and May this year TWNW members conducted an on-train survey of some 180 services mainly in the North West. Northern services comprised the majority of the trains surveyed (135). Generally speaking, the survey showed an overall improvement in standards of reliability and on train standards following the debacle after (and in some instances preceding) the May 2018 timetable changes. On the trains surveyed overcrowding was in the main not a serious issue, although just 12% of journeys were made during the peak. The major cause of concern was the relatively poor level of on train ticket inspection. The full report will be available in June and we will be happy to forward you a copy.

6. Improved industrial relations, to reduce disruption and improve reliability for passengers

6.1 We are not highly knowledgeable in this area but we have the impression that fragmentation of the industry has led to a number of disparities in contract conditions sometimes with adverse consequences for passengers.

6.2 This fragmentation, short term franchises, competition between TOCs/FOCs and the bargaining power of trade unions means that the once standardised terms and conditions of employment found under BR have also become fragmented. The first Northern Rail franchise was established in 2004 and the present Northern Railway franchise covers almost exactly the same area and services. Yet in 15 years there has been no objective included in the franchise to remove conditions of service variations that are an obvious cause of added costs, and service provision (not least in terms of Sunday services at a time when that day has become commercially busy. The result is that the railway industry has lost potential earnings and patronage growth whilst car use on Sundays has increased dramatically).

7. A rail sector with the agility to respond to future challenges and opportunities

7.1 As we have already referred to, trends in environmental considerations including climate change should afford a golden opportunity for rail to assert its key place in our transport needs. The need for a single overall strategic planning and controlling authority to pursue that opportunity in a joined-up way is paramount.

7.2 We do therefore believe the Rail Delivery Group proposal for such an authority has much to commend it. We have reservations about on track competition for long distance services (see 2.3/2.4 above), but we welcome

the notion of devolving local control to integrated transport bodies and that local/regional train services should operate as public service contracts within an integrated system.

7.3 There is a need for a national rail strategy that contributes to the wider objectives of:

- i) Bringing measurable benefits to rail passengers;
- ii) Achieving wider economic and social objectives of regeneration, employment, inclusion, and accessibility in the communities served by rail;
- iii) Ensuring that rail contributes to sustainable development across the UK;
- iv) Ensuring that where practicable spatial and planning policies are developed in partnership with the railway industry.

7.4 The Rail Delivery Group's '*Vision for Stations Report*' (2015) recognised that:

"Railway stations offer the opportunity to contribute to the attractiveness of rail journeys and have the potential to support the development of ever more vibrant, growing and attractive local communities - - - Our vision is for Britain's stations to be places which are inclusive and welcoming, and which encourage everyone to travel by rail. This vision will be enabled by those working at the station, by the innovative use of technology, and by the involvement of the communities which stations serve".

TWNW fully endorses this Vision and wishes to see it developed widely across the rail network.

7.5 TWNNW believes that investment in specific improvements at station must include:

- (i) *Customer focus* - Significant investment to meet the needs of all passengers, including those with a disability or mobility difficulties;
- (ii) *Intelligent use of technology* - Greater use of the latest information and ticketing technologies;
- (iii) *Seamless journey experience* - Ensuring stations are fully integrated with rail services and onward travel modes (walk, cycle, bus, car or Metrolink);
- (iv) *Reflecting local needs and opportunities* - Tailoring stations to local characteristics (as part of a national and regional network);
- (v) *Safety* - Ensuring all stations and their localities are places where users can feel safe and secure;
- (vi) *Regeneration* - Viewing stations as potential catalysts for innovation and regeneration, thereby enhancing the railway and local economies;
- (vii) *Flexible and long-term stewardship* - Plan and operate stations for the long term with built in flexibility to adapt to change;
- (viii) *Shared industry know-how* - Sharing knowledge and experience of what works best at stations in meeting

- passengers' diverse needs in the most efficient and effective manner; and
- (ix) *Optimised network* - Realising the full value of every station while minimising inefficiencies through investment and operation based on objective and informed decision making.

7.6 It is recognised that the vast majority of railway stations present few opportunities to offset the costs of maintaining and operating them. However, railway stations are the gateway to the network.

7.7 There must be a greater emphasis on improving railway stations by actively developing partnerships with a range of stakeholders. Reference was made in paragraph 2.6 to Community Rail Partnerships. These are one of the stakeholders who can and should have a greater role in developing stations. That development must be more flexible and innovative. The structure of network rail and franchising means there are no incentives to developing railway stations. TOWNW is aware of examples of examples when private, 3rd party organisations have offered to lease station buildings and to invest several £thousands in local stations, it has been impossible to make progress. In contrast the stations concerned have lain derelict and out of use for years, with leaking roofs, rotten floors and no income. Instead of being assets such stations are a continual liability. Network Rail does not have a management team with the expertise or incentives to bring unused station buildings into worthwhile use. Instead the focus is on trying to realise unrealistic commercial rents, but without the finance to bring the buildings up to standard. The net result is stagnation and waste.

Thank you for the opportunity to respond

Yours faithfully

John A Moorhouse

John Moorhouse
Company Secretary