

## The Railways Bill and the future of PTE rail networks

### PTE rail networks – why they matter

PTE rail networks provide a valuable alternative to increasingly congested roads in seven of Britain's largest conurbations (with a combined population of more than 13 million people). 137 million passengers a year use PTE rail services – twice the number of InterCity passengers.

Following major investment over the last twenty years in those rail networks, by the PTEs, there has been strong growth in ridership:

- Strathclyde PTE has the busiest urban rail network outside London; and Strathclyde residents now make more rail journeys than residents of South East England (excluding London);
- Use of the West Yorkshire network has increased by more than 40% since 1997;
- Merseyrail is the most reliable major heavy rail network in the country;
- 1 in 3 commuters into Glasgow and nearly 1 in 5 commuters into Birmingham take the train. On modernised routes rail's market share of rush hour traffic can rise to 75% - as it has from stations north of Shipley into Leeds.

Most PTE rail networks already suffer from extensive overcrowding in the rush hours. With the Government committed to both raising the economic performance of Britain's regional cities and tackling road congestion – the need to further modernise and develop PTE rail networks is clear.

### Current PTE powers and responsibilities

PTEs were established by the 1968 Transport Act to plan and develop public transport services in large metropolitan areas. The recognition that PTEs need a strong role in the development and management of their local heavy rail networks has been built into the structure of the railways both before and after privatisation.

**PTEs carry out four critical roles in delivering local rail services. They:**

- Specify initial service level and quality requirements, review services and make changes as appropriate;
- Take an active part in the management of the local franchise and ensure that the services that are provided meet the aspirations of local communities and achieve the policies of local stakeholders;
- Promote, brand, market and provide information about local rail services as part of integrated public transport networks;
- Invest in local rail network improvements, including new or improved stations.

*PTEs have used their rail powers to modernise commuter rail networks.  
Metro's Airedale line now has a 75% share of some commuter flows.*



They can do this because under Section 34 of the Railways Act PTEs are party and co-signatories to franchise agreements. This means that for their local rail networks PTEs can specify service levels, service quality requirements and fares for local services. The SRA must include those specifications in the franchise agreement unless it considers that would compromise its wider national financial and strategic duties. The train operator and/or the SRA also has to consult with the PTEs on any significant proposals for service changes. In the case of a dispute between the SRA and a PTE, either party can refer the matter to the Secretary of State for a decision.

PTEs financially support rail services in their areas. However the costs of doing so are covered by a grant from the SRA. Provided a PTE is securing service levels and quality agreed with the SRA it is covered by the grant.

As co-signatories to the franchise PTEs can also propose service and fares changes, and require the franchisee to cooperate with improvements – like PTE funded station upgrades.

In practice PTE status as a co-signatory allows PTEs to work with operators for the mutual benefit of both parties and the travelling public:

- PTE staff work with franchisee train planners to help deliver the optimal timetable. The PTE's local knowledge (for example, schools start and finish times and important connections with bus services) is essential to this process;
- PTEs use their local knowledge to work with operators to deal with special events, engineering work, and disruptions (like the leaf fall season) and to propose value for money changes to service patterns.

## The Railways Bill

The PTEs have welcomed the governments declared intentions to devolve more responsibilities for local rail networks, and to allow PTEs to make sensible choices between the modes. However, **pteg** is concerned that the bill will not help to facilitate that objective.

### The Bill would:

- Remove PTEs co-signatory role. Instead, PTEs would have the right to be consulted by the Secretary of State over new rail franchises that affect them. The scope and parameters of that consultation are not defined.

- The PTEs will be able to enter agreements with franchisees *-but only with the Secretary of State's approval*. This would add considerably to the complexity, cost and difficulty of making changes to rail provision. Instead of one franchise agreement there could be separate agreements for each and every significant change to services, or improvements to stations, that PTEs might wish to carry out.
- Government funding for local rail services will no longer be routed via the PTEs. Instead central Government will define a base service provision and budget. PTEs would be able to apply to Whitehall to enter into agreements which could raise or reduce service levels. PTEs would bear the cost of any improvements above the base level, and benefit from any savings from any reductions below the base level. There would be no guarantee, however, that where Government decides to reduce the base level of services, the resulting savings would be passed to PTEs for use on substitute services.
- The PTEs will be able to propose service closures; the criteria for rail closure hearings will be determined through guidance issued by the Secretary of State, rather than on 'hardship' (as is currently the case); and the Government will make it easier for PTEs to introduce the franchising of bus services where a PTE proposes to remove a rail service.

Overall the Railways Bill would centralise responsibility for the management and specification of local rail services in the City Regions. Responsibility for local rail services would transfer from accountable regional transport authorities to civil servants in Whitehall. Under the Bill, PTEs would be able to influence their local rail networks only through influencing decisions taken in Whitehall - or through voluntary agreements with operators that have first been approved by the Secretary of State. This may well increase the cost, complexity and difficulty of making changes to local rail networks by replacing a single franchise agreement with a series of separate agreements for every significant change to services or stations.

Other sections of the Bill will undermine confidence in the future of local rail networks by providing incentives for cutting and eliminating rail services - and through establishing a closure process where the Secretary of State will set the terms for closure hearings.

PTEs use their rail powers to provide integrated public transport networks



## The likely consequences of the Bill would be:

- Operators will lose the benefits of PTE 'corporate memory', strategic perspective and local knowledge - resulting in less responsive rail networks where opportunities for integration are missed, and where service quality suffers;
- PTE investment in improving city region rail networks - already difficult to achieve since privatisation – becomes harder still as the requirement for Secretary of State approval adds another layer of bureaucracy and uncertainty;
- The unravelling of the marketing and promotion of local rail services as part of integrated local public transport networks;
- That control of city region rail networks by remote and anonymous civil servants in London will lead to, at best, city region rail networks failing to keep pace with the needs of the city regions they serve, and at worst – stagnating;
- With the Government solely responsible for the management and specification of local rail networks, with PTEs relegated to a consultee role, the Government will be seen as responsible for both short and long-term problems affecting those networks;
- With the city regions losing their responsibilities for local rail networks a more adversarial relationship is likely to develop between the city regions and both Government and the operators over the performance and future of those networks.

## The end of the PTEs' 'free lunch'?

One of the justifications for these proposals is that because the cost of PTE rail services is covered by a grant from Government, that PTEs have not borne the financial consequences of their decisions on their local rail services. In effect, the charge is that the PTEs have had a 'free lunch'.

However PTEs have not used their powers in an irresponsible way or without regard to the financial consequences. Nor are PTEs in anyway responsible for the major increase in subsidy for regional rail services since privatisation. The facts are:

- For new and replacement franchises PTEs have not used their powers to produce a statement of requirements which would significantly increase service levels. Even if they had done so the SRA had the legal powers to strike-out any bids to increase services on the grounds that this would run counter to wider SRA duties to ensure value for money and to protect the interests of the network as a whole. In other words the SRA has the powers to veto any unreasonable requests for PTE service improvements. The fact they have not had to do so indicates how responsible and reasonable the PTEs have been;
- It is already the case that the cost of additional services or changes in fare levels outside that set by the SRA policy must be met locally. For example for the new Northern Franchise the cost of any specification above that currently provided would have to be met by a PTE;
- PTEs have invested in a limited number of service improvements on existing franchises. The capital cost of those improvements that have taken place



*SPT has improved personal security on the local rail network with the largest CCTV system in Europe*

- have largely been met by the PTEs through a combination of direct funding and grant schemes (such as the suspended Rail Passenger Partnership fund);
- The actions of the PTEs since privatisation have had a minimal affect on rising subsidy levels, given that service levels have remained broadly the same and that there has been only limited investment by the PTEs in new services and stations. Rising subsidy levels for regional rail networks since privatisation are largely attributable to the general uplift in costs since privatisation and the loss of regional rail's 'marginal user' status when Track Access Charges were introduced at privatisation. For example in South Yorkshire the introduction of access charges led to the subsidy for the South Yorkshire network increasing from £4 million a year to £19 million year – for the same level of service.

## PTE rail powers – an unnecessary complication?

There is also no evidence that the PTEs' contractual rights (or the way in which they have exercised those rights) have obstructed the efficient planning, management or operation of regional rail networks. On the contrary the opposite is the case:

- PTEs have taken a responsible and flexible approach to service specification which reflects the needs of all the services in their conurbations. This includes promoting, and implementing, trade-offs when seeking service improvements (for example changing local train services to enable a better inter-regional service between Leeds and Sheffield, or proposing fares rises to help pay for service improvements);
- Operators appreciate having a direct contractual relationship with the PTEs as it encourages a partnership approach rather than the confrontational relationship which might result were a PTE to have no formal relationship with the operator;

- The PTE-initiated quality regime has led to higher standards of maintenance and cleanliness of trains and stations than exist on similar rail services outside PTE areas and a similar approach to monitoring and incentivising service quality is now being rolled out by the SRA for new franchises;
- PTEs have kept service standards maintained and under review and acted as local management of the franchise for the SRA. For example, PTEs helped manage the impact of the crisis on Arriva Trains Northern when mass cancellations occurred following a driver shortage. Central Government, or a government agency, would need to assume this role if PTEs were stripped of their franchise management role.

## Meanwhile in the rest of the country...

- The Welsh Assembly is to gain co-signatory powers on the basis that this will "facilitate locally accountable delivery of the Assembly's priorities";
- Strathclyde PTE's powers are to be transferred to the Scottish Executive;
- Transport for London will have the same powers as the English PTEs;
- Merseytravel (Merseyside PTE) became the franchise authority for the self-contained Merseyrail Electrics network last year. This network could become the first vertically integrated railway since privatisation under a proposal to transfer responsibility for the infrastructure to Merseytravel.