



Response

The case for rail devolution in London

Submission to the London Assembly
Transport Committee

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1. Introduction

- 1.1. **pteg** represents the six English Passenger Transport Executives¹ (PTEs) in England, which, between them, serve more than eleven million people in Tyne and Wear, West Yorkshire, South Yorkshire, Greater Manchester, Merseyside and the West Midlands. Nottingham City Council, Transport for London (TfL), the West England Partnership and Strathclyde Partnership for Transport (SPT) are associate members of **pteg**. The PTEs plan, procure, provide and promote public transport in some of Britain's largest city regions, with the aim of delivering integrated public transport networks accessible to all.
- 1.2. Since their inception, the PTEs have invested significantly in their local rail networks. In contrast, central government funding has not kept up with the pace of growth in city centre economies and rail demand. As a result, some train services in the Midlands and the North of England now have some of the highest levels of crowding and some of the oldest and least reliable rolling stock in the country.
- 1.3. Against this background, **pteg** has long campaigned for greater devolution of rail powers as a means of achieving higher levels of investment and of ensuring that available funding is spent in the most effective ways to support city region economies. Despite a number of challenges along the way, we are now making good progress towards devolution of franchising powers in the North and in the West Midlands, building on the successful examples of Merseyside, London and Scotland.
- 1.4. This is therefore a good time to take stock and we welcome the opportunity to contribute to this investigation by the London Assembly.

2. Response

Regional rail boom

- 2.1. Rail services have been a major success story in supporting the growth of city region economies, reflected in the exceptional growth in patronage since privatisation – ORR figures show that rail demand across the city regions has grown more than five-fold since 1995/6. There are now almost 300 million rail journeys being made each year into the six English PTE areas from their wider regions².
- 2.2. The upward trend in demand is likely to continue over the long term, with Network Rail's Regional and Urban Market Study forecasting more than a doubling of demand into key regional centres by 2043.

The investment gap

- 2.3. Despite the strong growth in demand, regional rail networks have long suffered from a lack of investment. For example, in 2004, the current Northern franchise was awarded on a no-growth assumption, with an ageing train fleet and no plans to invest in either new capacity or

¹ Some PTEs have been abolished with their functions transferred onto successor bodies, such as Combined Authorities. In this response, we take PTEs to mean both single purpose metropolitan transport authorities and their successor bodies where relevant.

² Source: ORR National Rail Trends, Table 15.X. Latest available figure is 293 million rail journeys, for 2013/14. This figure includes all journeys made within the West Midlands, South Yorkshire, West Yorkshire, Merseyside, Greater Manchester and Tyne and Wear or between these areas and their respective Government Office region.

in fleet improvements. Similar issues have arisen in the case of the Trans-Pennine Express and London Midland franchises. This has created a situation where commuter services into Leeds, Manchester and Birmingham have some of the highest loadings anywhere in the country. For example, DfT statistics show that 45% of afternoon peak services out of Leeds and 43% of services out of Manchester have standing room only on departure.

- 2.4. KPMG estimate that overcrowding on local services could have already lost the Leeds and Manchester economies around 20,000 new jobs, worth £500m in annual Gross Value Added.
- 2.5. The lack of investment is also clear on the infrastructure side. Between 2009 and 2014 (Control Period 4 or CP4), the regions of the North and the Midlands attracted little more than £10 of rail infrastructure investment per head of population, compared to over £200 in London and the South East and over £150 in Scotland. Transport for London and Transport Scotland both have a significant say in the development of their rail networks.
- 2.6. Despite significant investment in the Northern Hub and electrification, the prospects are not much better for CP5 (2014-2019), with the North and the Midlands expected to receive little more than a quarter of the investment per head as Scotland and London and the South East.

The case for devolution

- 2.7. The mismatch between government investment and the pace of rail demand growth in the city regions has been of significant concern to **pteg** and this has prompted us to look at alternative governance, procurement and funding models. In 2010, **pteg** commissioned consultants Atkins to look at the case for greater devolution of rail powers to PTEs and to set out options for implementing this in practice³. The findings from the report remain relevant today and are recommended reading.
- 2.8. Based on experience from the UK (London, Scotland, Wales and Merseyside) and Europe, the report shows that devolution delivers better outcomes for passengers:
 - rail is given greater priority, with stronger incentives and influence on network and service operators to acknowledge local priorities, maximise performance and deliver a better service for passengers;
 - investment levels rise, for example, in terms of rolling stock, new or enhanced stations or promotion of re-opened or upgraded lines to cater for, or foster, increased passenger demand;
 - operational performance rises, level of service improves, feeding into higher customer satisfaction; and
 - decision making is more fully integrated across modes and policy objectives, including capital investment, integrated fares and ticketing and branding
- 2.9. It is clear from our own experience that local stakeholders are more attuned to local needs and that they can make more effective investment decisions in response to changing economic circumstances. They can also help leverage new sources of funding and make sure that selected investment projects provide the best possible returns, with the proceeds being re-invested back into the network thereby creating a virtuous circle.

³ Atkins (2010), Enhancing the PTE Role on Rail in the City Regions, report to pteg. Available from: <http://www.pteg.net/resources/types/reports/enhancing-pte-role-rail-city-regions>

- 2.10. Devolution of responsibilities for local rail services also offers scope for achieving efficiency gains as local transport authorities are better placed (and incentivised) than officials in Whitehall to identify opportunities to deliver more effective rail services.
- 2.11. For example, we feel that whilst running old, unreliable and uncomfortable trains may look like the cheap option in the short term, targeted investment in modern trains and electrification can actually deliver greater economic benefits and financial savings in the long run, by reducing operating costs and growing revenue.
- 2.12. Not surprisingly, available evidence suggests that devolution of franchising powers can make a big difference to passengers' experience and perceptions. Both in the case of Merseyrail and London Overground, services that were near the bottom of the passenger satisfaction league table under central government control are now consistently at the top of the ranking. Remote control from Whitehall has been replaced with local accountability – making those services both more responsive to what passengers want and the needs of the local economies.

Looking ahead

- 2.13. Over the past two years, PTEs have been making good headway towards devolution of powers over rail franchising and investment. Rail North, the new client body responsible for the Northern and Trans-Pennine franchises due to be awarded later this year, has now been formally established as a partnership between DfT, PTEs and other Local Transport Authorities (LTAs) in the North of England, supported by team to be based in Leeds. It is expected that the current arrangements will serve to help Rail North quickly develop its capacity and capability in rail franchising. It is Rail North's ultimate aim that, following this transition period, rail powers will be fully devolved to local stakeholders in the North of England.
- 2.14. A similar proposition is being developed in the Midlands under the banner West Midlands Rail (WMR). At present, WMR is a partnership of the local PTE (Centro) and a number of neighbouring LTAs. The initial objective is to move towards a formal partnership arrangement with the DfT, similar to Rail North, which would award and manage the next London Midland franchise, due to begin in 2017. In time, the intention is for the Inter-City and West Midlands commuting services currently operated by London Midland to be split into two separate franchises, with WMR taking over as the single client for the local network.
- 2.15. More detailed information, including a redacted version of the partnership agreement between Rail North authorities and the DfT, can be found on the Rail North and West Midlands Rail websites, www.railnorth.org and www.westmidlandsrail.com. We are also attaching a document prepared by Rail North which provides further details on its governance arrangements.
- 2.16. On the infrastructure side, LTAs in the North of England are being given the opportunity to influence future funding levels and investment priorities across all transport modes, under the Transport for the North initiative. A similar discussion with government has also begun in the Midlands, under the name Midlands Connect. The long term strategies developed by Rail North and West Midlands Rail will form key inputs into these processes.
- 2.17. While there is still a way to go until all PTEs have a similar degree of devolved rail powers as those which Merseytravel and TfL already have in the case of Merseyrail and the Overground network, the move towards greater devolution has already borne fruits. One key

achievement in the case of Rail North has been the acceptance by the Secretary of State that the existing fleet of Pacer trains will be entirely replaced in the short term. Rail North has also been able to obtain commitments from DfT with respect to improvements to stations, operating performance, community rail funding and overall service quality. A number of other improvements stipulated in the Invitation to Tender for the next Northern franchise include:

- A significant increase in peak train capacity, in line with forecast demand growth;
- Complete refurbishment of existing fleet to modern quality standards;
- Additional weekend and evening services.

2.18. On the other hand, both RN and WMR have arguably gone further than London in establishing and gaining acceptance for cross-boundary governance structures. While it may yet take some time for these emerging governance arrangements to settle down, recent progress is very encouraging and may well lead to a lasting legacy for the future governance of devolved rail networks.

2.19. Over the years, we have benefitted significantly from exchanges with colleagues in other parts of the country, notably in London. We hope to continue to share our own experience, as this agenda develops in the Midlands, the North of England and elsewhere.

A. Annex

Rail North (2015), Northern and TransPennine Rail Franchises.