FINAL

Informal Consultation Response

Initial Industry Plan

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1. Introduction

1.1. ***pteg*** represents the six Passenger Transport Executives (PTEs) in England which between them serve more than eleven million people in Tyne and Wear ('Nexus'), West Yorkshire ('Metro'), South Yorkshire, Greater Manchester, Merseyside ('Merseytravel') and the West Midlands ('Centro'). Leicester City Council, Nottingham City Council, Transport for London (TfL) and Strathclyde Partnership for Transport (SPT) are associate members of ***pteg***, though this response does not represent their views. The PTEs plan, procure, provide and promote public transport in some of Britain's largest city regions, with the aim of providing integrated public transport networks accessible to all.

1.2. We welcome the opportunity to respond to the informal consultation by ORR on the Initial Industry Plan.

2. Rail in context

2.1. We believe that our railways are vital to the economic, environmental and social well-being of our city regions. Since their inception, all the PTEs have worked hard to develop their rail networks through investing in new lines, routes, stations and trains, as well as improvements to existing services.

2.2. Fundamentally rail makes a significant contribution to our economic performance, the ability of our areas to grow jobs and increase GVA, whilst at the same time helping reduce carbon by encouraging modal shift and reducing congestion.

2.3. We have seen continued growth in rail patronage over the past decade, even in the recession, and this is forecast to continue well into the future. Unfortunately that growth has not been matched by investment and we are faced with problems of over-crowding, poor quality rolling stock and insufficient infrastructure investment to alleviate these problems, and improve the overall quality of our networks.

2.4. Looking to the future, our city regions need modern commuter rail networks to serve their economies and improve the overall connectivity between our main urban centres. We believe that the plans that the industry make can help us achieve this.

3. Key Issues

Rail devolution

3.1. The IIP is silent on the option of devolving responsibilities for rail services to local transport authorities. Both the government and the McNulty Value for Money Study recognised that devolution has the potential advantages, with the McNulty report specifically recommending: *'a greater degree of local decision-making by PTEs and / or local authorities, brought more closely together with budget responsibility and accountability.'*

3.2. PTEs are considering how best to respond to the option for devolving responsibilities. Subject to the appropriate level of funding being available and governance issues being resolved, then PTEs can see major benefits for their areas and for government in devolving responsibilities for local rail services away from Whitehall. Benefits will include the following:

- Increased economic performance across our areas over time through enhanced business connectivity and widened labour markets;
- A better customer offer, on trains and on stations, that is more responsive to local needs;

- Better integration of rail with other modes – e.g. delivering value for money from both better integrating ticketing across modes
- A more balanced view across modes in order to reduce the long-run costs of the railway. Lower cost alternatives to heavy rail, like LRT conversion, tram/train, guided bus or 'classic bus' may both improve people's journeys and reduce the overall costs to the public sector.

3.3. The benefits to Government include:

- greater economic growth in the city regions – and better value for money from a very significant programme of spend (subsidy) in the North and Midlands;
- a strongly motivated client for local railways to help implement many of the McNulty efficiencies;
- better integration of spend on rail programme with other major programmes of spend in the city regions; and
- a rail policy that is more aligned to the wider strategic agendas relating to localism, economic growth and cities.

3.4. We believe that there are strong grounds for greater local involvement in the railways and that at an industry wide level there should be an increased dialogue between local transport authorities and the industry representative bodies to make sure that the benefits of local involvement are not over-looked. This is an area the ORR can assist us with.

Efficiency and affordability

3.5. We support the need to make rail services more efficient and affordable. We have a relatively high cost base and, conversely, a lower revenue base because of the types of services run and relatively short distances travelled, which requires a greater degree of subsidy. We are therefore keen that the industry works as hard as possible to reduce its cost base whilst maintaining its outputs.

3.6. The industry has set itself stretching targets for the reduction of overall subsidy to the railways. There is a great deal of reliance on the industry to act in concert to achieve these reductions and the IIP places much of this on faith. Our concern is that should the industry fail to deliver the required savings, it is the subsidised railway that will suffer as a result, whereby government may choose reduce subsidy for local rail services and this in turn will result in the loss of services in our areas.

3.7. We support the moves by Network Rail to improve its efficiency, and in particular wish to see the extension of their devolution proposals to create a devolved route organisation for the area covering Northern franchises (Northern and Transpennine). We believe that this can be done in such a way to take account of the two mainline routes running through the North, but that also gives local partners a much greater degree of local accountability and transparency over the costs and operation of infrastructure. We are currently talking to Network Rail about how this might happen, but would welcome recognition by ORR and in the IIP.

3.8. We are also keen to see plans for electrification developed so that key routes are electrified and in-fill opportunities are taken up. Electrification is a key route to delivering a local cost railway for our areas. Further comments are made below.

3.9. On the passenger side, we believe that the IIP (and the ORR) needs to be much firmer in setting out how the cost reductions will be achieved, what the risks are in delivering them and how these will be mitigated. There is a lack of evidence as to the efficacy of the actions and we will need greater reassurance that the industry can deliver on our behalf.

3.10. Additionally, we also believe that PTEs have a role to play in helping deliver an efficient railway and that we need to be more closely involved with the industry in looking at how issues are tackled, particularly from the perspective of the social / subsidised railway – an area where the largely commercial interests of the TOCs may not always drive the best outcomes. We have made these points to the Rail Delivery Group and will continue to discuss with them how best we can help each other. We would welcome ORR's views on these matters.

Meeting the needs of customers

3.11. The IIP seeks to address the major concerns of passengers in our areas – namely peak over-crowding and capacity problems – and this is welcome.

3.12. We believe, as publicly accountable local transport authorities, that ITAs and PTEs are close to the passenger and have a good understanding of the needs of all passengers and across modes. We would therefore wish to make sure that PTEs are involved in the delivery of the IIP outcomes as we can help drive greater benefits from these improvements.

Delivering economic growth

3.13. As we noted above, we strongly believe that our rail networks are vital to the economic success of our city regions. The IIP document recognises the general contribution that rail makes to the economy and to sustainable economic growth. However, the document should be stronger in its recognition of the role that rail plays in local economies and that rail is component part of our transport networks. At present it is too focused on schemes which simply deliver rail capacity and operational benefits, rather than jobs and growth.

Investment Choices – the regional sector

3.14. We share the IIP's analysis of the regional markets and the growth being experienced in our main urban centres. A critical point in the analysis is that for our cities, the car is the major competitor to commuting by train and that this factor is often underplayed in the analysis of our areas, and in particular in the use of demand management tools and fares to manage peak capacity.

3.15. Fares in our areas are alluded to in the document and more widely Ministers have made no secret of their views on comparative fare levels between the PTE areas (in particular), and London and the South East. We recognise that there are a number of anomalies and inconsistencies in certain fares, and in the treatment of cross-boundary fares (essentially PTE - non-PTE flows). Our submission to the planned Fares & Ticketing review by government in 2012 will set out how we intend to address those specific aspects.

3.16. However, more generally the assumptions that fares are too low and that increasing fares substantially will generate sufficient revenue to significantly improve the standard business case for investing in our railways are, in our view, contentious. There are a number of factors in play which may serve to keep fare levels lower than elsewhere – most notably the difference in productivity and wage rates; the real competition from car commuting as a

viable option (which it is not in London); and the relatively shorter train journeys. We plan to cover these issues in more detail in our response to the Fares & Ticketing review.

3.17. We fully support the inclusion of the Northern Hub and are of the opinion that the full benefits of the Hub proposals will only be realised through the delivery of the whole scheme. Recent comments by Theresa Villiers suggested that a more piecemeal approach may be appropriate given the cost of the scheme. Our understanding of the scheme's development is that it has been sufficiently rigorous in assessing options and their relative value for money.

3.18. The level of investment for the West Midland region is very small compared to other parts of the country and in comparison with the region's size and economic potential – around £57M of investment out of a proposed national investment programme of £10Bn. We believe that there is need to deliver a wider package of infrastructure investment for the West Midlands, alongside other CP5 investment for the North, including such schemes as Walsall-Stourbridge re-opening; Camp Hill Chords; and Walsall – Rugeley electrification.

Network strategies and plans

3.19. We support the electrification proposals included in the IIP for our areas – Midland Main Line and North Transpennine - and, as noted above, wish to see a much greater roll-out of electrification, including in-fill, to help improve the costs base for our railways. This in turn will have a knock-on effect on rolling stock. However, we do not see the value in pursuing the options around DC to AC conversion in the South East, particularly when so much of the railways in our areas remain un-electrified.

3.20. On rolling stock, the most urgent issues for PTEs are the replacement of life-expired rolling stock (e.g. the Pacer fleet) and the need to meet capacity demands for our major cities. We would like to see much firmer plans for how these two concerns are to be addressed by industry, though we understand that this is also the responsibility of government and delivered largely through the franchising process.

Making choices and trade offs

3.21. The IIP draws attention to the need to make trade offs in the decisions that government will be required, particularly given the current economic climate.

3.22. Our belief is that many of the trade off decisions can be better made by the inclusion of accountable local transport authorities, who will be able to advise on the impact of decisions, how investment can be made to work harder and promote a greater understanding locally of why any decision has been made. This is particularly important where commercial TOCs may be making decisions about subsidised rail services. Therefore including ITAs and PTEs within the processes will help inform the choices that have to be made and may well result in better outcomes.

3.23. For example, determining the outputs for local rail services in our areas (i.e. journey time, performance and punctuality) may best be made with the input from accountable local transport authorities, particularly where responsibility is devolved. By making these decisions more locally it is possible to deliver improved outcomes for the passenger and value for money. Similarly we would argue that prioritisation of outcomes should take a much stronger account of local preferences.