Chief Executives' Group – North Yorkshire and York

16 March 2012

Strategic rail issues for North Yorkshire

1	**Purpose of the Report** To advise the group of current rail issues.

2 Background

2.1 Since May 2011 there have been a number of Government announcements about the countries rail network, while at the same time franchise renewals which impact on North Yorkshire are scheduled within the same timeframe. The purpose of this report is to highlight the issues and afford an opportunity to provide more detail where required.

3 National Rail Matters

3.1 In May 2011 the McNulty "Realising the Potential of GB Rail, Rail Report of the Rail Value for Money Study" was published. As suggested by the title the study focused on efficiency and value for money and the final report made recommendations which identified potential savings of around £700m. The Reports foreword by Sir Roy McNulty is attached (Appendix 5.1). In response to the McNulty report the DfT published "Reforming our Railways Command Paper on the 8th March 2012 www.dft.gov.uk/rail-reform. This was accompanied by consultation documents on rail fares and ticketing review and Rail Decentralisation, consultation is open until 28th June 2012. The key points from the Command Paper (identified by the DfT) are:-

- Reducing and then ending above-inflation rises in average regulated fares as soon as possible;
- Expanding smart ticketing technology so that passengers across England and Wales can enjoy Oyster-style smartcard payment options and more flexible season tickets;
- Reforming rail franchises so that operators have to deliver more value and better levels of service for passengers while ensuring taxpayer subsidies are concentrated on safeguarding less profitable routes that remain crucial to communities;
- Investing in Britain's capacity to grow jobs and prosperity by funding thousands more carriages, extending electrification of the rail network and redeveloping railway stations;
- Strengthening the rail regulator's capacity to improve the passenger experience and oversee the crucial efficiency challenge;
- Involving rail workers in our plans to get the industry on a more sustainable footing, to grow jobs and to develop skills;
- Empowering passengers by providing better punctuality and real-time travel information.

3.2 High Speed Rail (HS2)

Plans for the development of a High Speed Rail - Y Network were announced by the DfT on 20th January 2012. Phase 1 will see services introduced between London and West Midlands by 2026, while phase 2 will see onward links to Leeds and Manchester by 2032-33. See Appendix 5.2.

3.3 Franchise renewals

North Yorkshire's rail network comprises 3 franchises and 2 open access operators:

The franchises are East Cost, Transpennine Express and Northern. Franchise network maps attached as Appendix 5.3

Franchise Renewal date timelines

Franchise	Consultation issued	Implementation
East Coast	Late 2012 - Early 2013	December 2013
Transpennine	Spring 2013	April 2014?
Northern	Spring 2013	September 2013 or April 2014?

As part of the renewal process it is possible that the Northern and Transpennine Express franchises may be merged.

Open access services are provided by Grand Central Trains (now owned by Arriva Trains UK part of the Deutsche Bahn Group) providing services between Sunderland and London and Hull Trains (part of First Group) who provide a Selby – London service.

3.4 Rail in North Yorkshire

3.4.1 Strategy

For each rail line in North Yorkshire, a development plan will be produced as part of a county rail strategy this will provide the basis of our input into the franchise process and future rail development.

WYITA has commissioned the development of a Yorkshire Rail Strategy Study which will support the case for prioritised investment in our rail network.

3.4.2 Local Priorities

In late November 2011 the DfT unexpectedly announced proposals to electrify the transpennine route between Leeds and Manchester, thereby meeting a long held aspiration of authorities on both sides of the Pennines.

As part of transpennine electrification it is important that we press the case for electrification to include Selby, Scarborough and Middlesbrough. We understand Network Rail have been asked to develop these as options and this is to be welcomed. See Appendix 5.4.

An important development in North Yorkshire is the work on electrification of the Leeds – Harrogate – York line this is being progressed through a joint local authority working group.

4 Recommendation

To note the report.

5 Appendices

5.1 Appendix 1 - Realising the Potential of GB Rail, Report of the Rail Value for Money Study, May 2011, Foreword by Sir Roy McNulty
Appendix 2 - High Speed Rail (HS2)
Appendix 3 - Transpennine Electrification
Appendix 4 - Rail Franchise Maps

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North Yorkshire County Council
8 March 2012

Appendix 1
Realising the Potential of GB Rail
Report of the Rail Value for Money Study
May 2011

Foreword by Sir Roy McNulty

In my Interim Submission to the Secretary of State, published last December, I set out a preliminary assessment of the costs of GB rail, the reasons why those costs appeared to be higher than they should be, and a preliminary estimate of cost savings which might be possible. The Study has now completed its work and this report presents my recommendations for improved efficiency and value for money.

The Study has taken place at time when GB rail can demonstrate many achievements – in terms of growth in passenger and freight markets, continued improvement in safety, increasing customer satisfaction, improved operational performance, and significant investment. In many ways, the GB rail structure established in the 1990s has delivered good results.

The Study has also taken place at a time when GB rail has the opportunity for substantial growth. Increased demand for travel, as well as the imperative to adopt more sustainable methods for the movement of passengers and freight, offer the prospect of doubling the current level of traffic by the year 2030. Few other industries have sound prospects of growth on this scale, and it offers real opportunities for everyone involved in the industry.

However, there is widespread recognition that the industry has problems in terms of efficiency and costs. Unit costs per passenger kilometre have not improved since the mid 1990s. The Study's initial "should cost" analysis, against the 2008/09 baseline used in the Study, suggested that GB rail's costs ought to be 20-30% lower. Further benchmarking has identified an efficiency gap of 40% against four European comparators. Some of that 40% gap may be systemic, and therefore cannot be eliminated fully, but I believe that the industry should be aiming to achieve a 30% reduction in unit costs (i.e. costs per passenger-km) by 2018/19. Only by doing this can the industry get to a position where it is giving a fair deal to passengers and taxpayers – at present, both groups are paying at least 30% more than their counterparts in other European countries, which not only places an unjustified burden on passengers and taxpayers, but also disadvantages UK competitiveness in the wider sense.

The causes of GB rail's excessively high costs are many and complex. The Study was asked to examine "barriers to efficiency" and we have identified that among the principal barriers are fragmentation of structures and interfaces, the ways in which the roles of Government and industry have evolved, ineffective and misaligned incentives, a franchising system that does not encourage cost reduction sufficiently, management approaches that fall short of best-practice in a number of areas that are key cost drivers, and a railway culture which is not conducive to the partnership and continuous improvement approaches required for effective cost reduction. I would like to emphasise my view that the long list of barriers the Study has identified should not become the basis of a "blame game". The industry will not benefit from an inquest into how things evolved in the past or who was most to blame. What is much more important is that everyone's time and energy is now applied to agreeing and implementing solutions to the problems that have been evident for too long.

Another point I wish to emphasise is that there is no simple solution – no "silver bullet". Achieving a 30% cost reduction will require a very substantial programme of change, addressing each and every one of the barriers identified in this report, and doing so in ways that do not prevent achievement of other performance objectives.

In considering my recommendations, I have been clear that there were two roads I would not go down. Firstly, the Study's Terms of Reference made clear that it was "to identify options for improving value for money … while continuing to expand network capacity as necessary".

Accordingly, I have not examined possible cuts to the rail network, and the Study's focus has been solely on ways of improving efficiency and value for money from the existing network. Secondly, I have not considered solving the railway's financial problems by increasing the overall level of fares. As my report makes clear, GB rail fares are already too high, and the whole thrust of the Study's recommendations is to reduce costs and thus reduce the pressures that have led to fares being at that level.

I see the solutions as being in three parts.

Changes to create an enabling environment
These include getting greater clarity on rail policy, objectives and strategies, stronger and more cohesive industry leadership, changes to structures and interfaces to improve the ways in which rail organisations and people work together, incentives that are more effective and better aligned, a review of fares policy and structures, and greater clarity as to what Government subsidy is buying

Changes which deliver the major savings
These focus principally on reaching best-practice in asset management, programme and project management, supply chain management, standards and technology, HR management, and pursuing initiatives in the areas of capacity utilisation, information systems, and new approaches to enable lower-cost regional railways.

Effective approaches to drive implementation
Key to this will be, on the basis of this report, developing an implementation plan with the involvement and commitment of all concerned. I recommend that, at least initially, there should be a small independent Change Team working closely with the Department for Transport (DfT), the Office of Rail Regulation (ORR), a new industry leadership group – the Rail Delivery Group – and with a direct reporting line to the Secretary of State for Transport.

I believe that the recommendations in this report, if fully implemented, could achieve the target of a 30% unit cost reduction by 2018/19 based on current estimates of future demand. I recognise fully that delivering such a massive cost reduction will be an enormous challenge to everyone in an industry whose unit costs have shown little or no reduction over the last 15 years. And I recognise that some people will argue that the changes required to reduce industry costs are unnecessary, or unacceptable or shouldn't apply to them.

Yet the pressures which make change and the achievement of this cost reduction essential are obvious. The severe constraints on Governments' finances will continue for some time, and there will be intense financial scrutiny as franchises come for renewal and on the periodic reviews of Network Rail. There is a need for the industry to earn its "licence to grow", so that the opportunities that lie ahead can be exploited, and above all there is a clear imperative to give taxpayers and passengers a better deal.

I believe that there can be a great future for GB rail – a future of growth, continued improvement in safety and a better deal for passengers and freight customers. There can also be a vision longer-term of a future for GB rail in which InterCity and London and the South East services can operate with little or no subsidy, and in which the subsidy for Regional services, while still continuing, is better controlled and much more precisely targeted. I believe that the enabling environment I have described can be put in place, levels of best-practice management can be achieved, and that implementation can be made to happen.

I have been encouraged that so many of the people I have met recognise the barriers – I have not met anybody who argued that costs cannot be reduced. I am encouraged also by new approaches that have emerged during the course of the Study, both from Network Rail and from the Train Operating Companies. I sense that many people in the industry are ready for change. What is needed now is the vision, leadership and energy to make the changes happen.

Success in this endeavour will clear the path to growth and allow the railway industry to give passengers and taxpayers the fair deal they deserve. The ways in which I believe this can be done are set out in this report at two levels:

this Summary Report, available in print, consisting of Foreword, Executive Summary, and Level One Report setting out the principal findings and recommendations; and

a Detailed report (Level Two) containing detailed analysis and recommendations from each of the Study's workstreams, and available on-line at www.dft.gov.uk/rail-value-for-money.

In addition, the Study will make available, on the DfT website, the consultants' reports which the Study has used in developing its analysis and recommendations.
I am indebted to the many people who have supported and helped in carrying out this Study. I want to thank each of them for the help they have given me. In particular, I would like to thank Ian Dobbs, Deputy Chairman of the Study, whose deep knowledge of the industry in Great Britain and elsewhere has been invaluable, as has been the experience of our Advisory Board (John Armitt, Chris Bolt, Andrew Haines, John Nelson and Sir David Rowlands), whose wise advice has helped me position my thoughts much better than would otherwise have been the case. Last, but not least, I want to thank all of the members of the Study team. Their efforts, together with the input of very many people from the industry and from the DfT and the ORR, the Study's sponsors, have been fundamental to the project.

What appears in the pages that follow are of course my own conclusions. I do not see them as the "last word". Indeed, I hope that they will be the "first word" in a process whereby the GB rail industry, together with Government and the ORR, develops and commits to a programme of changes, building on the professionalism and the obvious dedication of those who work in the railway.

There is a clear opportunity to create in GB one of the most efficient rail systems in the world – a system which can deliver outstanding value to its customers.

I wish all concerned every success in that endeavour.

Sir Roy McNulty

Website for further information
http://www.dft.gov.uk/publications/realising-the-potential-of-gb-rail

Appendix 2 - High Speed Rail (HS2)

Extract from the Secretary of State's statement 10 January 2012

High Speed 2 (HS2) is a scheme to deliver hugely enhanced rail capacity and connectivity between Britain's major conurbations. It is the largest transport infrastructure investment in the UK for a generation, and, with the exception of High Speed 1 (HS1), is the first major new railway line since the Victorian era.

The HS2 Y network will provide direct, high capacity, high speed links between London, Birmingham, Leeds and Manchester, with intermediate stations in the East Midlands and South Yorkshire. There will also be direct links to Heathrow Airport and to the Continent via the HS1 line. It will form a foundation for a potentially wider high speed network in years to come.

HS2 will be built in two phases to ensure that the benefits of high speed rail are realised at the earliest possible opportunity. The line from London to the West Midlands and the connection to HS1 are expected to open in 2026, followed, in 2032-33, by the onward legs to Manchester and Leeds and the connection to Heathrow. The capital cost at 2011 prices of building the complete Y network is £32.7 billion. At present values, it will generate benefits of up to £47 billion and fare revenues of up to £34 billion over a 60-year period.

The benefits of HS2 will extend beyond the network itself; links to current lines will enable direct trains to run to cities such as Liverpool, Newcastle, Glasgow and Edinburgh and, with long-distance services transferring to the new network, space will be freed up for new commuter, regional and freight services on other lines, opening up new opportunities for Britain's existing railways. Links to key urban transport networks, such as Crossrail, will help to spread the benefits further still.

HS2 is entirely consistent with the Government's objectives for carbon emissions. Electrified rail is a comparatively low-carbon mode of transport, especially with the continued decarbonisation of the grid. Speed increases power consumption, but also makes HS2 more attractive to those currently flying or driving. The faster journeys on HS2 – Edinburgh and Glasgow will be just 3.5 hours from London – could transfer around 4.5 million journeys per year who might otherwise have travelled by air and 9 million from the roads. HS2 will also create more rail capacity on existing conventional speed lines for freight – removing lorries from our busy trunk roads. HS2 is therefore an important part of transport's low-carbon future.

Consultation timescales for the Y leg.

March 2012 – Autumn 2012 HS2 Ltd will preparing advice to the Government on the proposed route North of Birmingham.

Autumn 2012 – 2014 DfT publish preferred routes and starts engagement with Local Authorities (not public) on the routes.

2014 - Public consultation starts.

Other:

- The current route maps are for guidance only.
- Investment in the traditional routes (East Coast Main Line) will continue.
- The HS 2 network will connect with the traditional routes.
- The clear message is that this increases rail capacity.

Websites for more information
http://www.dft.gov.uk/topics/high-speed-rail/ and http://www.hs2.org.uk/

Appendix 3 - Transpennine Electrification

This was announced in the Chancellors Autumn 2011 statement and did surprise a lot of people.

As part of transpennine electrification it is important that we press the case for electrification to include Selby, Scarborough and Middlesbrough and also the importance of direct services.

Electrification of Manchester - York is targeted for completion 2018. Any infill will follow on from this date.

DfT have asked Network Rail to provide electrification costings for the following routes (for March/April)

1. Micklefield - Selby
2. Selby - Hull
3. Hambleton Junction (link to East Coast Main Line)
4. Temple Hirst – Selby (link between Selby and Doncaster)
5. York - Scarborough
6. Northallerton - Middlesbrough

The preliminary work is at a very high level and based on Network Rails standard costs for electrification and for them to highlight any show stoppers e.g. bridges, tunnels.

Leeds – Harrogate - York electrification is being dealt with separately through a joint local authority working group.

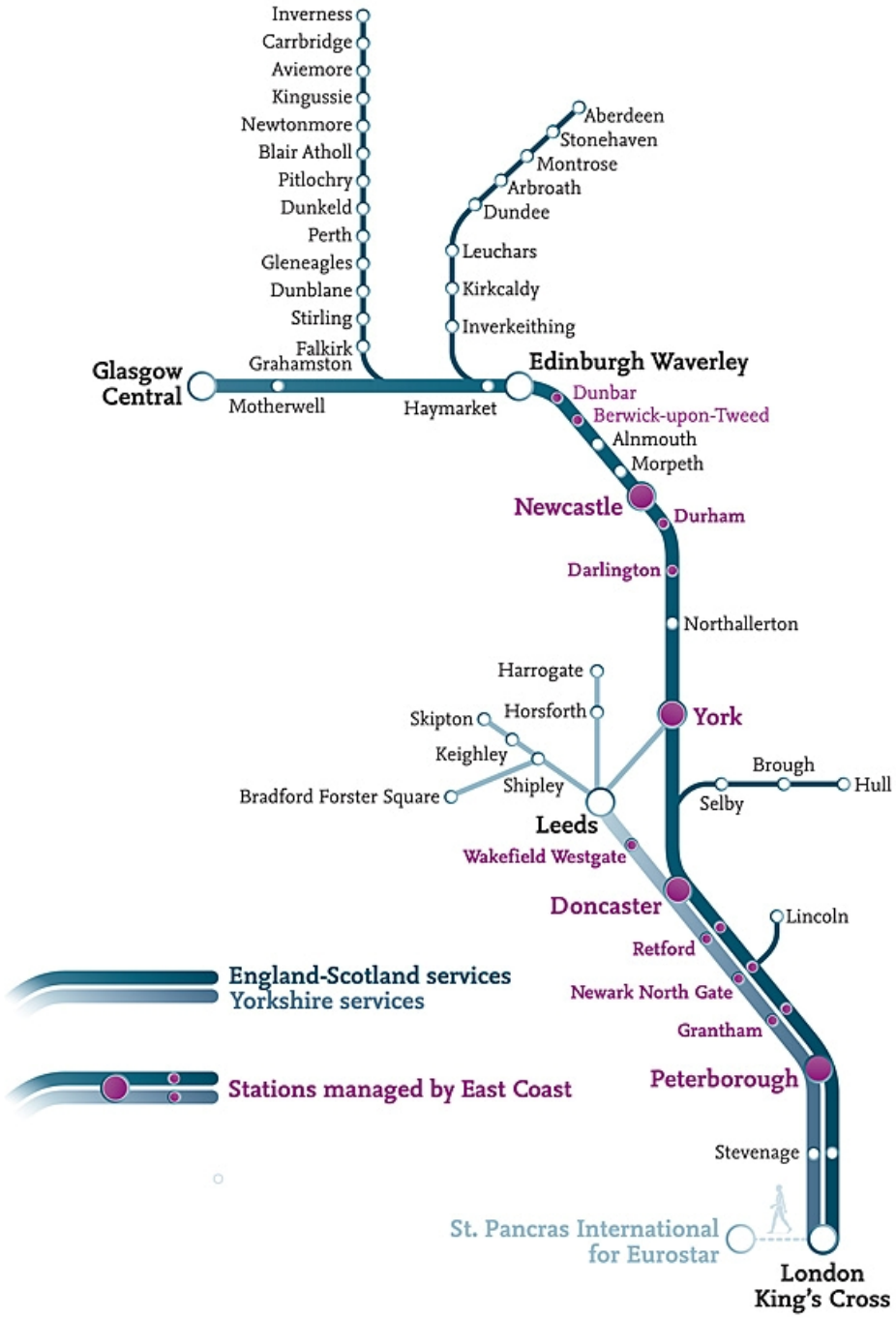
Operationally

There is a lot of conceptual work being carried out by the DfT, understanding the benefits that electrification can bring but there is no reason why :-

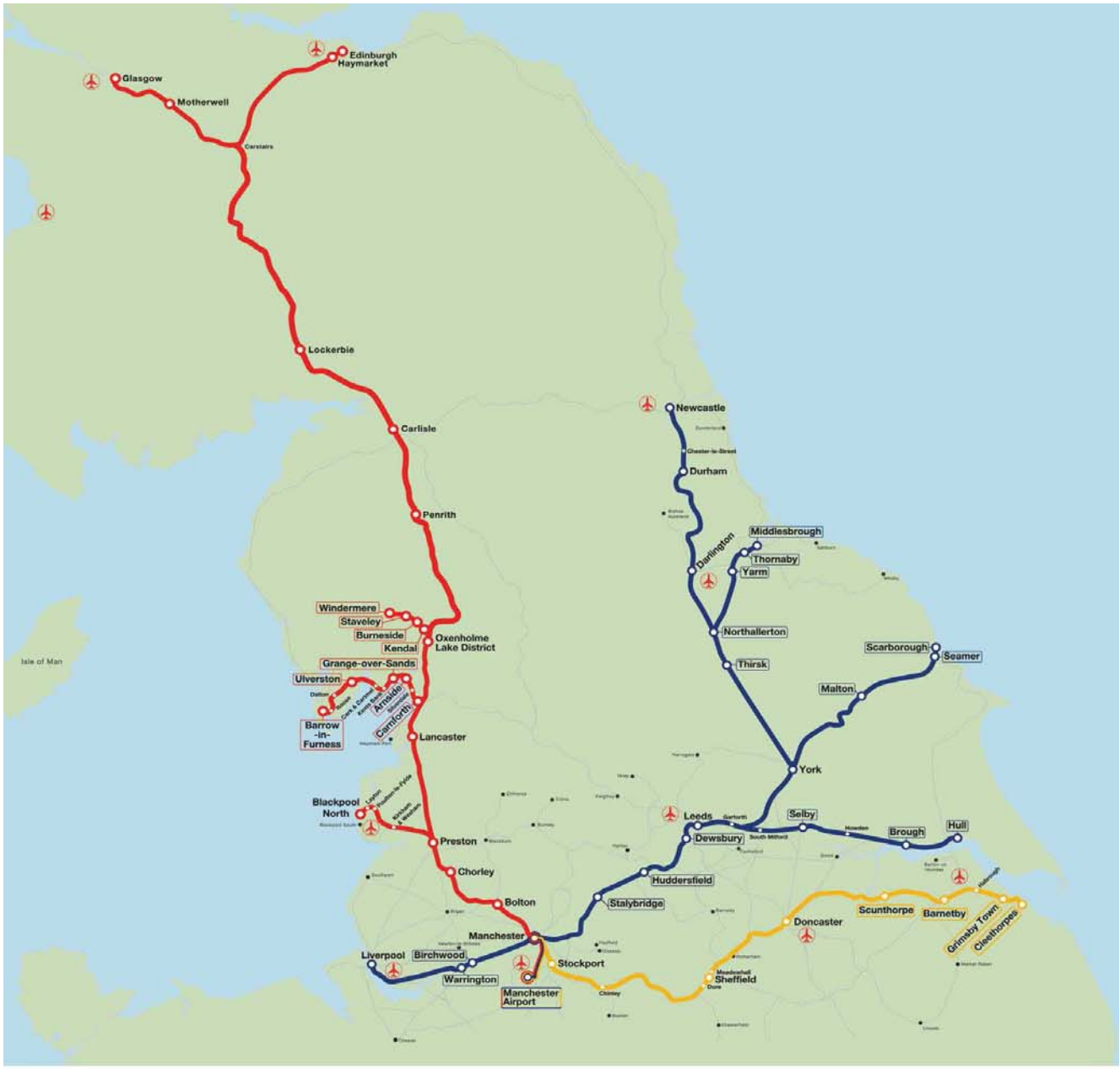
- new electric trains could not be purchased
- bi-mode trains (electric / diesel) to run on electrified / non electrified trains are also an option.
- the current 185 diesel trains cannot operate under the wires and provide the current through services.

With electrification, infrastructure improvements linked to the electrification and possible new rolling stock there should be considerable improvements to passenger journey times along the whole route.

Appendix 4 - East Coast network map



Appendix 4 - Transpennine express network map



Appendix 4 - Northern rail network map