

Report to Partnership Meeting 13 April 2012

CONSULTATION

Rail 2014 Public Consultation

Purpose of Report

To provide Members with the final Consultation response submitted to Transport Scotland in February.

Detail

HITRANS RESPONSE TO RAIL 2014 PUBLIC CONSULTATION

Procuring rail passenger services

- 1. What are the merits of offering the ScotRail franchise as a dual focus franchise and what services should be covered by the economic rail element, and what by the social rail element?*

1.1 Under British Rail and in the first ScotRail franchise let to National Express, Strathclyde PTE was a significant player, and indeed was a co-signatory to the franchise. The train operator described services as either Strathclyde or Network, a form of dual focus. This meant a highly specified Strathclyde operation the legacy of which to some degree remains in terms of quite generous off-peak (and public holiday) provision on some routes, while Network was bound by OPRAF's Passenger Service Requirement with its determination of first and last trains.

1.2 Should a dual focus be adopted, the first question to be asked is, 'what is economic?' Glasgow Queen St-Falkirk High-Edinburgh may fall into this category, but we were surprised to learn of the inclusion of up to six routes including the Highland Main Line. A franchisee with a free hand may decide that the current 11 HML daily services is overgenerous, despite a 34% increase in patronage in the 5 years to 2009/10, forecast growth of up to 93% by 2020, and the wider economic benefits that improved frequency will bring to the Region.

1.3 Division of a future ScotRail franchise into economic and social management units would not offer any Highland-specific focus. The social unit would inevitably encompass a diverse and scattered range of services across Scotland, many with roles and supply and demand circumstances far removed from the Highland situation. The Highland Main Line might be part of an 'economic' unit, but it is not clear how this new arrangement would allow commercial delivery of key route and service enhancements beyond those achievable within the existing franchising environment. While Aviemore and Pitlochry might be 'economic', Dalwhinnie is unlikely to be so.

1.4 The most likely benefit of social rail would be on the revenue side, with a local focus on local markets; but this is already substantially achieved through HITRANS initiatives within the existing franchising environment. There is insufficient evidence to suggest that the added complexity of a dual focus franchising regime would produce significant benefits in either the

service on offer, or the cost of these services, both on 'economic' and 'social' routes. Securing appropriate rolling stock for rural routes remains, and would remain under a dual focus franchise, an unresolved issue, particularly as electrification is rolled out, leaving a potential rump.

1.5 Important enhancements to rail corridors in the Highlands, particularly at stations and for some train services, have been secured within the existing franchising environment. However, the wider structure of the rail industry and its associated cost base, plus constraints on some areas of public spending on transport, are major barriers to progress in key areas such as (a) train service improvements dependent on the provision of extra rolling stock and route infrastructure upgrading, (b) high-quality rolling stock for the tourist market, and (c) adding stations to the network.

1.6 The question does not follow-up the suggestion in the consultation document that there could be more than one single franchise. It can reasonably be assumed that the requirement, in the case of a separate franchise, for a separate management team, train crews and rolling stock, as well as the costs of putting together a separate franchise bid, would add significantly to costs; and would therefore have little appeal to the Scottish Government, even if it could be demonstrated to bring an additional local focus to management and marketing.

1.7 An important issue which needs further analysis is the need to maintain the integrity of the whole Highland network and indeed strengthen its management, while recognising its diversity through appropriate models of ownership and management, such as a distinctly different sub-franchise north of Inverness.

1.8 The recommendations of the 2011 McNulty *Rail Value for Money* report points towards the possibility of a pilot 'vertically-integrated sub-franchise' for some areas including the rail network north of Inverness, potentially unlocking a wide range of rail cost and revenue benefits as well as generating enhanced value from the rail system.

1.9 As a pilot project with potentially benchmarking value for other self-contained sections of the rural network throughout Britain, this might attract additional funds for pump-priming, research and development. New forms of ownership and staff involvement and flexibility could be crucial to creating (a) a better and more sustainable balance between rail costs and revenues, and (b) a business model which encourages investment and enhancement in infrastructure and rolling stock.

1.10 However if the franchise were to become dual focus, this could lead to track access charges being differentially levied across the country, exposing rural routes to transparent infrastructure costs and potentially raising freight access charges.

1.11 In Europe dual focus has meant a franchising out of under-performing local and regional rail services. Being part of large state monopolies resulted in a lack of management attention and a steady decline in popularity (obviously influenced by many other factors, e.g. car ownership). However, the political push to 'regionalise', in countries like Sweden and Germany, was motivated by wider considerations than simply cost. Making better use of regional rail and freeing up services to greater competition, with new operators entering the market, was seen as a way of not only reducing costs, but driving up quality and attractiveness of rail.

1.12 The typical arrangement in Europe is for a regional council (which may be called 'region', 'province' or in the case of Sweden 'county') to create a transport authority which is accountable to the political body. This approach has ensured that rail has a high local political profile and has led, in the vast majority of cases, to substantial investment in new rolling stock, improved station facilities and service improvements. At the same time, productivity has

improved markedly as a result of de-staffing stations and making trains one person-operated. Most of the regional transport authorities however have responsibilities for both rail and bus, and have ensured a very high level of integration between modes.

1.13 Most of the countries where reform has taken place have implemented, to varying degrees, European law on the separation of infrastructure and operations. That said, there are some examples of local operations which are vertically integrated, including long-established local railways in Germany and Denmark as well as more recent examples in the Basque Country (Euskotren) and five DB rural operations which include the Isle of Usedom railway.

1.14 Franchises, mostly (but not exclusively) let on a 'gross cost' basis are for the operation of the service only and do not include infrastructure which is the responsibility of the state-owned infrastructure authority. The gross contract approach gives the tendering body a high level of control, with the operator's role confined to that of a service delivery provider. In some cases franchises include operation of both rail and bus services, giving a very high level of integration, both in terms of the actual service and routes as well as ticketing and information.

1.15 The process of reform has not always gone smoothly. In Sweden, in the early years, there were major problems caused by accusations of the state operator, SJ, abusing its position to win contracts. Much more recently, the partnership between Danish State Railways and First Group has ended acrimoniously. Clearly, the investment which has gone into regional rail has come mainly from the public purse. In Germany, most of the funds come via the federal government and are allocated to the regions. This is also the case in France where the provincial councils are playing an increasing role in regional rail. In Sweden, however, their taxation model facilitates most funding for local and regional rail with the state providing very little.

1.16 The experience across Europe shows that where local and regional rail is managed separately from other services, either as a franchise or series of franchises, or as a business unit, the decentralised approach pays handsome dividends. It does, however, require a dynamic, accountable public body to drive the process forward and encourage innovation.

1.17 There are many lessons for Scotland, and the Highland rail network in particular, in the general European experience. The first is that having a clear focus on a distinct regional network can bring significant benefits. However, the corollary with most European examples is the existence of well-resourced regional government. In the case of Scotland, Transport Scotland has the expertise and resources.

1.18 However, whilst having a separate franchise for a particular network could certainly work with the Highlands, it does bring challenges. We have no national state operator keen to hive off awkward parts of the network. There would be a risk of fragmentation of what is currently a clear distinct network which works as an integrated whole. If, for example, HITRANS was to become the franchising body for the Highland rail network, it would require a considerable increase in resources and expertise.

1.19 At the same time, the core long distance route south of Inverness is closely integrated with services north of Inverness and a rigid separation could easily lead to weakened links, poorer connections and fragmented marketing.

1.20 A more sensible approach might be to recognise that the Highland network (including the West Highland) is distinctive but should remain as part of an overall ScotRail network with all the benefits of scale and shared resources that this brings. However, consideration should be given to development of a strong devolved management unit for the Highland network ('Highland Rail') which includes HITRANS representation on an advisory board. It would be important to involve Network Rail in this body, at both a strategic and operational level.

'Highland Rail' could be marketed as a sub-brand with stations and rolling stock suitably branded. A bespoke SQUIRE with a softer approach on certain indicators could be incorporated.

1.21 This model could, over time, be developed further and pursue innovative approaches to devolved management of a distinct network within ScotRail.

1.22 A further point which consideration of European experience highlights, is the issue of rail integration with bus and coach services. Given the sparseness of the Highland population, and seasonality of transport demand, looking at much closer links between bus and rail, and ferries, makes obvious sense. This could initially include consideration of the key Fort William – Inverness and Mallaig to Kyle of Lochalsh corridors which connect the two rail networks, as well as connections to towns far distant from the rail network. Initially this could take the form of joint marketing, ticketing integration and scheduling to ensure trains and buses connect.

1.23 Scotland's railway does however function as a unified network and lends itself to greater alliancing and virtual integration between operator and infrastructure manager. These efficiency gains must be made available to all parts of the network.

2. What should be the length of the contract for future franchises, and what factors lead you to this view?

2.1 Franchise length is a key determinant in delivering private sector investment. The longer the franchise, the more manageable risk that can be transferred to the operator. Cap and collar arrangements have allowed franchisee and specifier to share profits, but long term economic forecasting is perhaps less clear than it was pre 2008.

2.2 Rolling stock tends to move to the new franchisee, so new rolling stock such as the 380 fleet could be procured directly by Scottish Government via a non profit distributing model organisation, as CMAL is doing for the Calmac fleet, thus indemnifying the franchisee against high cost fleet acquisitions, and therefore reducing franchise operating costs.

2.3 A short franchise may have the advantage of fitting in with Network Rail's Control Period 5 year cycle (2014-2019) and offers both a window for potential constitutional changes and the opportunity to investigate a state operator providing services post 2019 (currently against the 1993 Railways Act), but may well deter bids from a significant number of established operators to the detriment of competition and ultimately value for money. Furthermore, franchise bids are costly and the more frequent they are the more resources are wasted.

2.4 However, a short franchise would allow revenue and reputational risk associated the EGIP upheaval to be managed, so that a new franchise can be let in 2019 with a new electrified railway.

2.5 If an economic/social split were to be trialled, a short franchise may allow experimentation to be built in, with risk taken by government, to inform a subsequent longer franchise re-letting.

2.6 In England and Wales DfT's franchising policy has not been fully established but longer franchises are likely on WCML and GW. However the 29 month Greater Anglia franchise award to Abellio will test the expediency of such an approach when faced with significant levels of risk.

2.7 European experience shows that the UK is unique in having no state/national operator retaining delivery of profitable services, with the temporary exception of Directly Operated Railway's East Coast.

3. What risk support mechanism should be reflected within the franchise?

3.1 A longer franchise is open to greater revenue risk as economic forecasting over the medium term and hence growth is currently very difficult to predict. A failing franchise could potentially require more support. In the immediate future, a shorter franchise may allow the operator to manage costs and revenues more closely, albeit at a price. An alternative is to allow prospective operators to offer Government different prices for a longer franchise as well as a short period option to provide a basis on which to assess the value of differing franchise lengths.

4. What, if any, profit share mechanism should apply within the franchise?

4.1 The level of public sector investment in rail in Scotland in the coming years is significant. While Government's Network Rail payments increase as the Regulated Asset Base is added to, it would be undesirable to pass all of the benefits of the resultant revenue increase to the operator.

5. Under what terms should third parties be involved in the operation of passenger rail services?

5.1 Services in the HITRANS area benefitted from funding obtained from Scottish Executive Public Transport Fund, the Enterprise Network and local authorities. Beaulieu station was 60% third party funded, and Invernet 1 was largely funded through Highland Council's PTF award and Highland and Islands Enterprise grant.

5.2 Highland Rail Partnership also revenue supported trial Sunday services to Wick and Kyle all year round (2001), an extension to WHL Sunday operating (2002), and the Arrochar commuter (2008). HITRANS has also been involved in timetable analysis and development.

5.3 Third parties can be involved in assisting operators to develop services, particularly with start up funding, provided their role is seen as to provide additional support, and not to be a substitute for core funding.

6. What is the best way to structure and incentivise the achievement of outcome measures whilst ensuring value for money?

6.1 Reliability, punctuality, journey time reduction, efficiency, response to disruption and customer satisfaction should all provide benchmarks for performance.

7. What level of performance bond and/or parent company guarantees are appropriate?

7.1 This response requires specialist financial knowledge. However, the consultation suggests that a mutual, public interest company might wish to bid for the franchise, and the usual high level of guarantee required may prove to be an insuperable barrier.

7.2 Recent history suggests that parent companies experiencing trading difficulties are able to hand the keys back without undue penalty.

8. What sanctions should be used to ensure the franchisee fulfils its franchise commitments?

8.1 Fines are traditionally employed, although with cost-plus contracts the taxpayer may simply end up fining themselves. Fines levied should go directly back into rail services, rather than disappear into general public expenditure.

8.2 Break points should be built into the franchise to allow a poorly performing operator to be removed.

Achieving reliability, performance and service quality

9. Under the franchise, should we incentivise good performance or only penalise poor performance?

9.1 Perfect performance is a chimera. Performance climbs to a plateau as it improves. A move from 98% to 99% requires huge unwarranted investment.

9.2 Increasing the number of services reduces performance but may hit other targets such as modal shift, passenger uplift, customer satisfaction, accessibility to employment etc.

9.2 In general poor performance should trigger penalties; good performance should be assumed.

10. Should the performance regime be aligned with actual routes or service groups, or should there be one system for the whole of Scotland?

10.1 Rural routes should perhaps have easier performance regimes, particularly where there are no other franchised operators eg East Coast or Cross Country to delay, or cause delays. Connections into the last train of the day without penalty should be maintained where practically possible, facilitated by local decision-making.

10.2 Effective replacement bus back-up plans should be formulated in advance for rural routes when cancellations are necessary. Where possible part trains should be run, rather than cancelling whole trains and deploying buses the whole way.

10.3 The fleet management team should be incentivised to focus on getting the first train of the day at rural depots away on time.

11. How can we make the performance regime more aligned with passenger issues?

11.1 Integration across the HITRANS area is compromised by the competing performance regimes of rail and ferries. It is in the passenger interest to ensure connections, yet we are aware of trains pulling out of Oban as a ferry arrives. Ardrossan Harbour has the same issue. As we move towards integrated and smart ticketing, seamlessness will be an expectation.

11.2 Passengers also appreciate and should be provided with reasonable recompense in the event of significant delay.

11.3 Overcrowding and occasional justifiable shortforming should not be unduly penalised as fleet shortages particularly due to adverse weather may not be avoidable.

12. What should the balance be between journey times and performance?

12.1 Reliability of journey time is more important than an over-optimistic, yet seldom delivered journey time. HITRANS has spent time and energy pursuing ways of reducing journey time, but effective solutions are expensive. Growth across the area has been achieved despite journey times that are on occasions considered less attractive than car journey times. The benefit for the rail user is productive time in transit, reliability of arrival time, and environmental benefits

12.2 Improving frequency and thus producing generalised journey time savings of 60 minutes on an hourly frequency service when compared to a two hourly service may be achieved with a minor impact on performance, but delivers huge passenger benefits.

13. Is a Service Quality Incentive Regime required? And if so should it cover all aspects of stations and service delivery, or just those being managed through the franchise?

13.1 SQUIRE has raised standards across the country but in many rural situations serves only to inflate station costs with man marking where FSR visits precede the TS visit. At stations such as Altnabreac and Corrour inspection is time-consuming owing to the lack of a roads access option!

13.2 On train SQUIRE is perhaps more effective, and much can be achieved with enhanced passenger feedback.

14. What other mechanisms could be used for assessing train and station quality?

14.1 More use of customer feedback and informed volunteers could be employed to raise standards.

Scottish train services

15. Can better use be made of existing train capacity, such as increasing the permitted standing time beyond the limit of 10 minutes or increasing the capacity limit? What is an acceptable limit for standing times on rail services?

15.1 Ten minutes imposes an unrealistic burden on the train fleet complement. There are no theoretical capacity limits. Trains fill up until the guard decides that it is no longer safe to take more. 20 minutes is a more useful limit but if adopted should be rigorously enforced.

15.2 The temptation to deter overcrowding through fares increases must be avoided.

16. Should the number of services making use of interchange stations (both rail to rail and rail to other modes) be increased to reduce the number of direct services? What would be the opportunities and challenges of this?

16.1 Passengers like through journeys. In the Highland context this means not changing at Perth where possible in order to access Edinburgh or Glasgow. Experience shows that connecting services are often not held and this arrangement has a significant impact on patronage.

16.2 Where interchange cannot be avoided, cross-platform connections should be the norm.

16.3 We would want to encourage intermodal interchange though not at the cost of through services. Information provision (e.g. bus information in waiting area within station), through ticketing, and improved infrastructure for buses close to stations where feasible would all help to achieve this.

17. Should Government direct aspects of service provision such as frequency and journey time, or would these be better determined by the franchisee based on customer demand?

17.1 Basing provision on customer demand alone would tend to leave rural areas with poorer services. HITRANS has established a minimum standard of four trains per day each way on rural routes and only Oban is non-compliant. Government has to continue to ensure minimum provision.

17.2 Journey time is reliant on three factors: infrastructure, train performance and stopping pattern. Removing stops is an easy win in journey time, but this can alienate the travelling public who can be vociferous when stops are removed (see EGIP debate). But the journey time

of the majority of passengers may be compromised by an over-generous calling pattern serving smaller communities. Timetabling should ensure that all communities receive a service that permits whole and half day trips into the regional or national centre.

18. What level of contract specification should we use for the next ScotRail franchise?

18.1 We agree with your Far North example. Rural routes will require tight specification in order to meet regional development objectives.

18.2 Micro-management of all services by the specifier may lead to box-ticking compliance rather than full collaborative working promoting provision of better services.

19. How should the contract incentivise the franchisee to be innovative in the provision of services?

19.1 The freedom to innovate can be restricted by incoming franchisees having to utilise inherited rolling stock, personnel and the same infrastructure limitations. Franchisees ultimately own only contracts, and often these are for a fairly short period. True innovation perhaps means looser specification, but a highly taxpayer-dependent franchise will invariably require supervision.

Scottish rail fares

20. What should be the rationale for, and purpose of, our fares policy?

20.1 The farebox will not cover all costs; governments everywhere have to subsidise railways. An effective economy requires good public transport.

20.2 DfT seeks to move to a 50/50 split between revenue and subsidy. We believe that Scotland's geography and demography with its higher operating costs make this target unachievable and unwelcome. It would be a disincentive to travel by rail, whether for work, education or leisure. Sustainability, environmental benefit, modal shift, support to business and communities, tourism growth and equity should all inform the fares policy.

21. What fares should be regulated by government and what should be set on a commercial basis? Do your recommendations change by geographic area (the Strathclyde area example), or by type of journey (for example suburban or intercity)?

21.1. Regulation should continue. Fares should not act as a disincentive to use rail services. Where possible fares and conditions should be clear. Products for journeys across modes should be further developed.

21.2 Government should add standard anytime singles across the whole country as these provide the foundation for the fares policy.

21.3 There is no longer any logic in regulating all Strathclyde fares.

21.4 The continuation of discretionary products such as Club 55, Kids Go Free, Highland Railcard, Rail and Sail, Rover products etc should be encouraged as they increase usage of train capacity.

21.5 First Class Advance, loyalty schemes, kilometrage purchase and annual discount cards such as DB's BahnCard should be considered.

21.6 Blind and partially sighted people holding the National Entitlement Card should be allowed free travel across the country as a franchise condition, replacing the current schemes which are fragmented in their administration, and blind travellers' companions should also travel free across the whole country.

22. How should we achieve a balance between the taxpayer subsidy and passenger revenue contributions in funding the Scottish rail network? At what rate should fares be increased, and how feasible would it be to apply higher increases to Sections of the network which have recently been enhanced?

22.1 The gap between farebox revenue and TS subsidy to the operator is already close. Payments to Network Rail for infrastructure represent the largest proportions of Scotland's railway expenditure. It is therefore important to drive down NR's costs (see 1.23 on alliancing and virtual integration).

22.2 The Regulatory Asset Base (RAB) is an artificial construct designed to provide a rate of return to NR and to its bond holders who purchase its debt. Adding enhancements to the RAB increases TS' annual payments to NR.

22.3 NR already has debts of £25.1bn, and its debt to RAB ratio is 63.4%. Last year it paid £1.51bn in finance costs on a turnover of £5.7bn. With the Scottish network representing 11.5% of the GB network, government is paying £173m annually to service this debt for assets that in many European countries are deemed to be publicly owned (see Paul Salvesson's *Regional Rail in Europe*). If this is factored in the cost to government of the railway decreases and passenger income as a proportion rises to 31%.

22.2. RPI + fares increases should be exercised with caution. Periods of RPI+ 3% may actually deter passengers to the extent it increases the railway's cost to government. Premium fares once introduced can quickly become a benchmark. Franchisees also have substantial freedom with unregulated fares (cf Cross Country) and the ability to employ sophisticated yield management techniques when determining the quantity of discounted, advance fares available.

23. What should the difference be between peak and off-peak fares? Will this help encourage people to switch to travelling in the off-peak?

23.1 The definition of peak in the Central Belt is not necessarily one shared in the HITRANS area. A train leaving from Inverness in the morning peak arrives in Edinburgh/Glasgow in the off-peak and vice versa.

23.2 It is in all of our interests to ensure that capacity is managed, and the Australian experiment of free travel before 0700 in order to ease peak demand is worthy of consideration.

23.3 Overcrowding across the HITRANS area is not limited to the traditional definition of peak. Half term weekends in February see the 1335 Edinburgh back home to Inverness loaded with booty from the shops, after Easter the 1212 Fort William-Mallaig (pre-strengthening) fills with hopeful Harry Potter fans, and the 0620 Wick-Inverness-T in the Park sells out. There are sufficient events around the year across Scotland to justify the provision of a go-anywhere train set that can complement existing services to meet exceptional demand.

Scottish stations

24. How should we determine what rail stations are required and where, including whether a station should be closed?

24.1 Station closures are time-consuming, vexatious and subject to long political debate. There are few low footfall stations in our area that do not serve a community that has no other public transport options, or the ability to provide meaningful whole or half day trips to the regional centre.

24.2 Previous station closures have been achieved with a promise of bus services that wither and die. Any closures put to consultation should include the commitment within the rail franchise to provide an equivalent bus service to the next station if this is not currently available.

24.3 Many, but not all, of our smaller stations are on loops or are near level crossings so their removal would have limited impact on journey time or performance, while the designation of calls at lesser-used stations to request-only assists timetabling and reduces braking/acceleration costs.

24.4 The current road closure at Stromeferry demonstrates the longevity and permanence of the railway to the community when other infrastructure fails.

24.5 Remote rural station costs can be brought down. Annual long-term charges of c. £10000 do not reflect the renewals costs of these stations; long platforms can be foreshortened with Harrington humps; lighting standards can be reduced to a minimum and powered by alternative means eg solar; maintenance away from the running line could be carried out by local contractors without having to go through time-consuming accreditation and procurement costs; neighbouring residents can act as the local SQUIRE; buildings can be effectively handed over to the third sector or removed where there is no private sector demand.

25.6 Planning authorities must encourage development around existing stations to provide modal choice. This is invariably easier than demanding that a new station be opened. HITRANS seeks to reduce journey time to the Central Belt and so care must be taken to design levels of service from new stations so that they do not impact on longer distance intercity trains.

25. What are the merits or issues that arise from a third party (such as a local authority or local business) being able to propose, promote and fund a station or service?

25.1 New stations can be promoted or funded by third parties, but long term costs needs to be covered by the franchisee and infrastructure manager.

25.2 Third parties should be able to fund trial services for a limited period. Evaluation of their impact should point towards their longer term, cost-neutral sustainability. Regional Transport Partnerships should have funds made available to trial experimental services.

26. Should only one organisation be responsible for the management and maintenance of stations? If this was the franchisee how should that responsibility be structured in terms of leasing, investment, and issues relating to residual capital?

26.1 Nearly all stations in Scotland are managed by the franchisee. It would make sense for a greater proportion of station maintenance unrelated to train control to be devolved to the train operator. Investment in those stations should require approval by TS and NR, with appropriate compensation at franchise end.

26.2 Some routes and stations may benefit from reduced maintenance standards and possibly simplified compliance procedures for would-be contractors.

26.3 Where there is no other commercial use for station buildings and redundant land, community groups and local authorities may be invited to find suitable uses.

27. How can local communities be encouraged to support their local station?

27.1 Station adoption and gardening provide a way for communities to create a sense of ownership. This in turn leads to increased usage and reduced vandalism.

28. What categories of station should be designated and what facilities should be available at each category of station?

28.1 Most stations across the HITRANS area are unmanned; many are single platform. The categorisations in the consultation document are broad brush and do not fit easily with stations across the HITRANS area: Inverness is Principal, Tourist, Commuter, Interchange and Destination. Kyle is a tourist destination, while Thurso is largely used by locals to access Inverness and the rest of Scotland.

28.2 HITRANS has funded cycle parking and low cost information systems at stations in order to make them more customer friendly.

Cross-border services

29. Should cross-border services continue to go north of Edinburgh? In operating alongside ScotRail services, how do cross-border services benefit passengers and taxpayers? And who should specify these services, the Department of Transport or the Scottish Ministers?

29.1 Cross-border services are provided by East Coast in addition to the ScotRail sleepers. East Coast Trains operates one daily service from London to Inverness in each direction, known as the Highland Chieftain.

29.2 The Highland Chieftain service is operated by diesel HST 125 sets. In Standard Class these carriages are configured in a 2+2 format with a number of 4 seat tables throughout the carriages. Standard Class capacity is 429 seats. First Class seating is in a 2+1 configuration with larger seats. First Class capacity is 112 seats.

29.3 There is luggage storage on overhead racks as well as some large luggage space at the end of the carriages. HST rolling stock incorporates a guard's van which can be used to transport large items of luggage as well as bicycles. There is an additional charge for large items of luggage carried in the guard's van, but bicycles are carried free of charge but must be booked onto the train in advance.

29.4 Wireless internet connection is available on all East Coast Trains. This is provided free to First Class passengers. In Standard Class passengers get 15minutes free usage and either £4.95 per hour thereafter or £9.95 for 24hours.

29.5 Most seats have a power point for charging electrical devices. The train is equipped with a cafe bar serving drinks, snacks and hot meals. In May 2011, EastCoast introduced complimentary food and drink for First Class passengers.

29.6 As can be seen above, there is a marked difference in capacity and comfort between the East Coast service and ScotRail Class 170s. Our recent InverCity study notes that 25% of East

Coast passengers from Inverness travel cross-border, while many choose to use the service as the preferred means of a day trip to Edinburgh.

29.7 Were the service not to exist there would be an immediate problem in providing sufficient capacity of sufficient high standard and a net loss of passengers to other modes, on both cross-border and internal Scottish journeys, any change in Edinburgh being considered unacceptable to the great majority. The recent SCDI survey provides useful information on this.

29.8 We feel that cross border services provided by DfT franchises, to which Scottish Ministers provide non-binding guidance, are not ORCATS raiders removing revenue from ScotRail, but are complementary. However it must be noted that performance in recent times has not been satisfactory, with too many no-shows and late running north of Perth.

29.9 The planned replacement of the HST fleet with bi-mode IEP trains during the next East Coast franchise provides DfT with an opportunity to re-evaluate the East Coast network. The specification by Scottish Ministers of East Coast North of Edinburgh services within the ScotRail franchise may additionally have issues around driver training and maintenance of a non-standard fleet.

30. Or should the cross-border services terminate at Edinburgh Waverley, allowing opportunities for Scottish connections? And if so, what additional benefits would accrue from having an Edinburgh Hub?

30.1 The loss of through trains would run counter to our agreed Regional Transport Strategy. The region has already suffered from the withdrawal of Heathrow air services.

30.2 Whilst a Central Belt hub may by necessity be the future for interchange into High Speed Two at some point in the future, any interim interchange proposal in the period 2014-2030+ will present significant passenger resistance, modal loss from rail, and impose negative economic impacts on communities in the bulk of the Scottish mainland north of the Central Belt.

Rolling stock

31. What alternative strategies or mechanisms could be used to reduce the cost of the provision of rolling stock?

3.1 Government could own rolling stock, in the way that CMAL owns vessels (and infrastructure) for ferry services. Government borrowing through the NPD model would reduce the costs. There is no true free market in stock.

3.2 The provision of replacement diesel rolling stock on rural routes will become an issue as 156s have to overcome PRM TSI (DDA) regulations at the turn of the decade, and 158s life expire during the 2020s. Old stock has a low residual value while new rolling stock is expensive.

32. What facilities should be present on a train and to what extent should these facilities vary according to the route served?

32.1 On board facilities have improved over recent years, with improvements to 158s and 156s.

32.2 Wifi is becoming expected, and we understand that trials are underway on 170s, whilst HIE are looking to co-fund a 156/158 trial.

32.3 Cycle spaces have become normalised at 4 (6 on the West Highland) reflecting the commercial demand from tourism, particularly related to Lands End-John O’Groats business.

32.4 HITRANS has appointed Interfleet Technology to investigate potential interior refurbishment and reconfiguration options on the Class 170 fleet that will be more frequently serving the North post-EGIP.

Passengers – information, security and services

33. How should we prioritise investment for mobile phone provision and / or Wi-Fi type high-bandwidth services?

33.1 Wifi can maximise people’s usage of time when on train, providing an advantage over car journeys. The longer distance routes should be prioritised for the introduction of wifi, which should also be free at point of use.

34. How should we balance the need for additional seating capacity and retain the flexibility of a franchisee to offer first-class services if commercially viable?

34.1 First Class is useful and valued for those needing a quiet space for work. Since the economic downturn many public sector employers insist that their employees travel standard and as a result lose this advantage. We recognise the value in revenue terms that First Class brings to ScotRail.

34.2 It may be better to fully brand it Business Class, or consider supplements as Chiltern Trains do.

35. What issues and evidence should be considered prior to determining whether or not to ban the consumption of alcohol on trains?

35.1 Trains likely to be used by football fans and festival goers frequently have alcohol bans successfully policed by British Transport Police.

35.2 Many passengers and train crew have experienced incidents of over-indulgent drinkers most of whom bring large quantities of alcohol onto the train with them.

35.3 On-train trolley sales of alcohol provide a revenue stream for the operator which could be enhanced if, as on air services, the consumption of alcohol brought on board was prohibited. The opportunity to have alcohol drinks gives rail an advantage over car and bus/coach. Banning all alcohol may disbenefit both customers and operator.

36. How can the provision of travel information for passengers be further improved?

36.1 There is already good information available. It is important to ensure that staff have access to the latest information as on site employees can provide greater reassurance at times of disruption.

36.2 Text messages providing real-time running information should not have a premium price.

36.3 Help phone operators should be able to provide fares and other information, in addition to train running information.

36.4 HITRANS has been working with the current operator First ScotRail on low-cost rural information provision.

36.5 There should be a requirement to work with transport authorities in promoting and providing multi-modal information

36.6 Journey Genie, HITRANS' interactive itinerary and journey planner to be launched this year will provide a new portal for travellers and locals.

Caledonian Sleeper

37. Should we continue to specify sleeper services, or should this be a purely commercial matter for a train operating company?

37.1 We believe that no commercial operation could provide the degree of service and complexity of the ScotRail sleeper operation. HITRANS' recent Sleeper Operations Report provides details of the operation of the Sleepers.

38. Should the Caledonian Sleeper services be contracted for separately from the main ScotRail franchise? Or should it be an option for within the main ScotRail franchise?

38.1 The ScotRail sleeper operation could be operated as a separate franchise. There are many examples across Europe of joint ventures and collaborations which provide a management focus on the highly complex and unusual sleeper services. The contract arrangements in place with many third party companies are highly complex.

38.2 Whilst a whole range of ScotRail's management and supervisory staff are involved in the operation of the Caledonian Sleepers and whilst the management structures vary from time to time to reflect the needs of the business, there is currently a small team focussed on the sleepers reporting to the Director of Customer Services. This includes the Head of Hospitality who covers both sleepers and day time catering, an Operations Manager with particular focus on the ScotRail sleeper staff and their recruitment, training and standards, and a person to administer the staff and, in particular, to produce the staff rosters.

38.3 Oversight of the operation of the Sleepers and the co-ordination of customer service issues is carried out by the DB Schenker Control Office and the ScotRail Control.

38.4 The maintenance of the Sleepers, with the whole rolling stock fleet allocated to Inverness Depot, inevitably is a major focus and responsibility for the ScotRail Inverness Depot Engineer and his team.

38.5 The sleeper management team and the Inverness Depot function are heavily involved with ScotRail's contractors. In the event of something going seriously wrong with the sleepers south of the border the relevant "Lead Operator", normally in this case Virgin Trains, will look after sleeper issues until they can be resourced by ScotRail itself.

39. We would be interested in your views in the level and type of service that the Caledonian Sleeper Services should provide. Including:

- *What is the appeal of the Caledonian Sleeper Service, and if there were more early and late trains would the appeal of the sleeper services change?*
- *What is the value of sleeper services to Fort William, Inverness and Aberdeen and are these the correct destinations, for example would Oban provide better connectivity?*

- *What facilities should the sleeper services provide and would you pay more for better facilities?*

39.1 Sleeper services are a key part of connectivity to and from the Highlands and Islands. They provide early arrivals into London and into the Highlands, serving communities that can be up to 120 miles from direct air services to London. They are integrated into the ScotRail timetable: connecting services are provided from Wick, Kyle, Mallaig, Elgin (but not Oban); and local calls for intermediate travel are provided on the Fort William sleeper (both directions) and from Kingussie into Inverness.

39.2 Fares are interavailable and sleeper dedicated, allowing a day journey to be mixed with an overnight one. They range from very limited £19 Bargain Berths to full First Class at £214.50.

39.3 Passenger numbers have increased 31% over the last 6 years, and in particular saw a sharp rise during the ash cloud period.

39.4 Seated passengers are also conveyed in reclining seats. The lounge car provides catering and up to 6 bicycles can be taken on each service free of charge, if booked in advance. On services from Inverness only 3 bicycles can be taken, because of a long standing commercial contract to carry £2m worth of shellfish in polystyrene containers from Inverness to London (it originates in the North West Highlands).

39.5 Oban is 101 miles from Glasgow as against 122 miles from Fort William to Glasgow. Oban provides better connectivity to the islands, but has less of a mainland hinterland than Fort William. They could run alternate nights and the option of a link for alternate days at Crianlarich could also be considered.

39.6 We have done extensive research on European operations (please see the recent HITRANS report 'Sleepers Uncoupled'). City Night Line (DB) have invested at the top end, with new 'Comfortline' sleeping cars with modern facilities and en suite showers built in 2007, whereas SNCF have done away with all the top-end sleeping-cars on their network and running all their overnight trains with nothing but cheap and cheerful couchettes. The 'Espace Privatif' offer for sole occupancy of a 1st class couchette compartment which is not bookable online, it's poorly marketed and often not understood by Rail Europe or even SNCF staff when asked.

39.7 Elipsos tends to support the German view: it was in the past easy to fill the cheap tourist sleepers, harder to get upmarket travellers out of the then glamorous and expensive planes to fill the 2-berth and 1-berth sleepers. This has now reversed, as budget airline competition makes it harder to fill the shared 4-berths with price-sensitive passengers, whilst it's now easy to fill the 2-berth Preferente and Gran Clase sleepers with affluent people who want a more civilised alternative to the stress and decidedly unglamorous experience of modern flying.

39.8 Renfe believes the market has polarised and future 'trainhotels' are being built with all-en suite 1 and 2 bed sleepers plus reclining seats, with no shared 4-bed sleepers.

39.9 Reclining seats are still a relative rarity, even on CNL trains. French Lunéa trains and Spanish trainhotels have reclining seats, but most EuroNights CNLs have normal compartment seats, only a few have the special reclining ones.

39.10 Refurbishments and new-builds have frequently included the addition of deluxe compartments with en suite toilet/shower. OBB have rebuilt their 1978-1981 T2S cars with two deluxe compartments, Trenitalia have built Excelsior cars and rebuilt some existing cars with several deluxe compartments, and new builds for Poland and the Czech Republic have included several deluxe compartments. However, it may be worth noting that the deluxe en suite

compartments have usually been in addition to the regular compartments with washbasin, rather than replacing them as a new standard.

39.11 On fares and ticketing, operators have moved away from kilometric tariffs for open tickets with a supplement added for a couchette or sleeper, towards 'global' fares applied specifically to the relevant sleeper train for a given journey, inclusive of sleeper or couchette. They have typically added an element of yield-management with dynamic pricing.

39.12 'Sharing with strangers' is an issue that may well be of interest especially as ScotRail still allow sharing whilst First Great Western on their 'Night Riviera' sleeper train don't. Historically, with single-berth sleepers prohibitively expensive except for business travellers and overnight travel a familiar part of daily life, people were used to sharing with other passengers without adverse comment, much as they do these days on an overnight long haul flight. Today, people are much less familiar with overnight travel and frequently express a concern about 'sharing with strangers'.

39.13 Many ferry companies have reacted by ending the long-standing ability to book inexpensive individual berths in shared compartments, requiring travellers to book the whole cabin or not travel at all. In some cases, (e.g. DFDS Seaways) this has effectively doubled the cost of travel for a solo traveller who now needs to pay for two berths when they really only need one. In other cases (such as Stena Line) pricing has been adjusted to make solo travel more affordable than twice the price of sharing.

39.14 First Great Western has abolished the sale of individual berths in shared compartments, but has adjusted pricing to make single occupancy more affordable. Similarly, City Night Line now allows single occupancy from €139, compared to €79 sharing a 3-berth or from €99 sharing a 2-berth. Historically, a single-berth sleeper might have cost over €220, and still does on some routes such as Thello's Paris-Venice train, or on Elipsos. Notably, City Night Line tried to abolish sharing in sleeping-cars a few years ago, but after a year or two's experience reversed its decision.

39.15 It is also of note that only a 2nd class ticket is now required for 2-person occupancy on many routes (instead of 1st class, as was historically the case), such as Prague-Krakow or Budapest-Bucharest, and indeed only a 2nd class ticket is now required for a double or single on City Night Line, unless it's a deluxe compartment. This may indicate that even 'regular' 2nd class passengers now expect sole use of a 2-berth (i.e. without having to share a couchette compartment or 3-bed sleeper) for a price that is nevertheless still competitive with other modes.

39.16 In summary, there is value in upgrading rolling stock to meet higher passenger expectations whilst retaining an overnight seated service. The timings of the Highlander departures are difficult to change, and a pre 0800 arrival in London is a key attraction.

Environmental issues

40. What environmental key performance indicators should we consider for inclusion in the franchise agreement or the High Level Output Specification?

40.1 The following should be employed to measure environmental performance:

- modal shift from road
- fuel/electricity consumption per kilometre

- energy consumption at stations and lineside plant
- alternative energy use (eg solar lighting at low-footfall station, solar CIS)
- cycle parking usage

Recommendation

1. Members are asked to note the report detailing the response made to the Rail 2014 Public Consultation.
- 2.

Risk	Impact	Comment
RTS delivery	√	Provision of effective rail services to the Highlands and islands is central to delivery of the RTS
Policy	-	
Financial	-	
Equality	√	Provision of effective rail services promotes equality in terms of accessibility for communities and individuals across the Highlands and Islands.

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