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HI TRANS

THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP

Report to Partnership Advisors Meeting 14 September 2018

RESEARCH AND STRATEGY DELIVERY

Midnight Train to Georgemas

Purpose of Report

To update Members on progress on the Caithness sleeper project.

Economic Impact

Following on from the feasibility work from Systra, Reference Economics were asked to carry out an assessment of the economic impact of the proposed service.

<u>EXECUTIVE SUMMARY</u>

Introductio
n

The research assessed the potential economic benefits of the proposed Caithness-central
Scotland overnight sleeper train service. It focused on three geographical areas:

- Orkney.
- Far North of the Scottish mainland.
- Other parts of the HITRANS area.

The following benefits/economic impacts were quantified:

- Overnight accommodation cost savings from travelling overnight on the train rather than staying in a hotel, B&B, etc.
- Employment (Full Time Equivalent jobs) and Gross Value Added (GVA) created by new visitor trips made possible by the sleeper service.
- Employment and GVA arising from the operation of the sleeper trains.

The research built on a previous report: Midnight Train to Georgemas (produced by SYSTRA). However, only very limited information is available on the profile of passengers using existing UK sleeper services. There also appear to have been no studies that quantify existing sleeper services' economic impacts. Therefore, a considerable number of assumptions had to be made to estimate the impacts of the proposed service.

Traffic
Forecasts

SYSTRA forecast that around 32,100 one way passenger trips per year would be made on the new service as follows:

- Between Inverness and Far North Line stations: 2,000.
- Between Far North Line stations and stations outside the HITRANS area: 6,600.
- Between Inverness and stations in the central belt and beyond: 23,500.

This current study estimates that 37% of these trips would be for business purposes and the other 63% for leisure.

The split by passenger place of residence is estimated as:

- Orkney: 1,250 (4% of all trips).
- Far North: 3,456 (11%).
- Inverness and surrounding area: 11,209 (35%).
- Outside the HITRANS area: 16,228 (50%

These figures are only for diverted trips. Therefore, this current study produced estimates of one way generated trips (i.e. completely new ones rather than diverted from other forms of transport such as car and day time trains). The estimate is between around 7,200 and 9,400 trips. These generated trips would be in addition to the 32,100 diverted ones.

Passenger Benefits From Using the Proposed Sleeper Service

The benefits to passengers were largely assessed on a qualitative basis. That is because there are no monetised values (i.e. expressed in pounds and pence) available to measure the benefits to passengers from using the sleeper service rather than another form of transport. These include having longer time at the destination, and being able to travel overnight rather than during day time, so not using productive or valued time. However, various reports reviewed for this study acknowledge that these benefits do exist-although they cannot be readily quantified.

E.1 shows the qualitative assessment of passenger benefits.

E.1: ASSESSMENT OF PASSENGER BENEFITS FROM USING SLEEPER				
Benefit/Market	Inverness-North/Orkne	Far North-Rest of	Orkney-Rest of	Invernes Central
Able to arrive back before of following working day	No change	Significant	No change	No change
Able to travel outside hour	Very slight	Very significant	Significant	Slight
Able to travel during dead	No	Yes	Yes	Yes
Undertaking activity at time/for desired duration	Very slight	Very significant	Significant	Significant
Save on overnight cost	Yes-for area	Yes	Yes	Yes
Overall significance of	2	10	7	5

*Scale of 1-10, where 1 = no impact and 10 = very significant

Economic Benefits and Impacts

E.2 to E.6 set out potential annual levels of benefits and economic impacts of the new sleeper service for a number of geographical areas. These are in addition to those passenger benefits which cannot be quantified.

E.2: ORKNEY: QUANTIFIABLE MEASURES	
Orkney Businesses and Residents Using the Service	
Potential Overnight Accommodation Cost Savings	19-39
Wider Economic	
Additional Visitor Spend: Employment (FTE)	3-5
Additional Visitor Spend: GVA (£000)	96-145

E.3: FAR NORTH: QUANTIFIABLE MEASURES	
Far North Businesses and Residents Using the Service	
Potential Overnight Accommodation Cost	49-98
Wider Economic	
Additional Visitor Spend: Employment	11-14
Additional Visitor Spend: GVA (£000)	229-
Operation of Train Services: Employment	26
Operation of Train Services: GVA (£000)	1,294

E.4: REST OF HITRANS AREA: QUANTIFIABLE MEASURES	
Rest of HITRANS Area Businesses and Residents Using the Service	
Potential Overnight Accommodation Cost	238-
Wider Economic	
Additional Visitor Spend: Employment	15-18
Additional Visitor Spend: GVA (£000)	298-
Operation of Train Services: Employment	16
Operation of Train Services: GVA (£000)	602

E.5: OUTSIDE THE HITRANS AREA: QUANTIFIABLE MEASURES	
Businesses and Residents Outside the HITRANS Area Using the	
Potential Overnight Accommodation Cost	339-
Wider Economic	
Operation of Train Services: Employment	39
Operation of Train Services: GVA (£000)**	2,398

*Visitor impacts not calculated due to insufficient information **Impacts are for Scotland outside the HITRANS area

E.6: QUANTIFIABLE MEASURES: HITRANS AREA AND SCOTLAND		
	HITRANS	Scotland
Potential Overnight Accommodation Cost Savings	307-613	646-1,291
Additional Visitor Spend: Employment (FTE)	29-37	**
Additional Visitor Spend: GVA (£000)	623-802	**
Operation of Train Services: Employment (FTE)	42	81
Operation of Train Services: GVA (£000)	1,896	4,294

*For all users of the service-some of whom will live outside Scotland **Visitor impacts not calculated due to insufficient information

The new rail service has the potential to help deliver Scotland's Economic Strategy. First, through raising productivity-one of the Strategy's four key economic activity indicators-by allowing business passengers to spend more time working productively.

Second, through contributing to achievement of three of the Strategy's four priorities:

- Investment. Supporting increased activity in key sectors in which Scotland has strengths-notably energy, food and drink and tourism.
- Internationalisation-by generating new trips to Scotland by overseas visitors.

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- Inclusive growth-by putting travel opportunities for businesses and residents on the same footing as much of the rest of Scotland.

The research also assessed potential demand for small freight on the new service-notably parcels and seafood. Carrier consultees were open to the idea of a rail parcels service, while not all the food companies surveyed completely dismissed the idea. However, none of them identified specific current constraints or problems that the service would address. Thus, no definitiv quantified freight custom for the service was identified.

The SYSTRA report estimates the sleeper service's cost to Government (i.e. annual subsidy) at £3.14 million. If the generated traffic (i.e. completely new trips) forecast in this report was achieved then the additional revenue to the operator would lead to a lower subsidy. That could be c£2.5 million, a reduction of around £0.6 million. There could a further slight reduction in subsidy if some freight was attracted to the service.

Gross and Net Benefits and Impacts

This research has estimated gross impacts. These do not allow for any reduced economic activity in other businesses or parts of Scotland arising from the sleeper service (i.e. net impacts). For example, savings to passengers from not having to pay overnight accommodation costs would represent a loss of revenue to accommodation providers. However, the scale of the loss would represent only a very small fraction of the accommodation sector's turnover in each area. Further, any such losses need to be viewed in the context of the range of benefits from the sleeper service that would accrue in different parts of the HITRANS area.

Most of the passengers on the service would be diverted from other forms of transport (e.g. car, air). However, they would be displaced from a range of other transport providers rather than from a single mode or service. Therefore, little of the employment created to operate the sleeper train services (train crew, etc.) would lead to a loss of in employment in other transport providers.

Next Steps

Having failed to interest the Local Rail Development Fund, HITRANS will be seeking to hold discussions with Transport Scotland on this project.

RISK REGISTER

RTS Delivery

Impact – Positive. It is referenced in the RTS.

Policy

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Impact – Connectivity -positive

Financial

Impact – HITRANS-nil

Equality

Impact – Assists marginalised communities that have no access to same-day return travel to Central Belt.

Recommendations

1. Members and Advisors are asked to approve the report.
2. Members and Advisors are asked to consider schemes for resubmission for Round Two.

Report by:	Frank Roach
Designation:	Partnership Manager
Date:	28 August 2018

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