

Williams Rail Review HITRANS Response

1. HITRANS is the Regional Transport Partnership covering the Highland, Moray, Argyll and Bute, Orkney and Eilean Siar local authority areas.
2. Williams calls for views on the future structure of the rail industry. Many commentators have declared that the current franchising system is not fit for purpose. The situation has arisen where Department for Transport and Transport Scotland micro-manage the franchises in a less hands-off manner than the Strategic Rail Authority that was swept away in the 2005 Railways Act.
3. The DfT/TS-NR-Operator-ROSCO-ORR landscape has led to a proliferation of interfaces and contractual arrangements that removes cash and vision from the railway, and which ignores legitimate calls for subsidiarity.
4. The private sector, as opposed to state-backed foreign operators, is fast turning its back on the risks of bidding for franchising, not helped by the DfT's unrealistic expectation of growth, which has been evidenced by the sequential failures on the East Coast.
5. Franchises typically earn a 2% profit margin for the operator; the obese feline allegations can now be dispelled.
6. The bidding process at c£7.5m per operator, and the cost of evaluating them, is abortive expenditure that could be directed into service enhancements.
7. Longer term franchises such as Chiltern and concessions such as Merseyrail would allow operator-led infrastructure investment to take place as the payback time is sufficiently long, but these are rare, with the majority of franchises for seven years, allowing the franchisee to come in all guns blazing and then tailing off as the end beckons, reliant on Schedule 4 and 8 payments.

8. However, there have been benefits to the current franchising system in the HITRANS area. Invernet, introduced in 2005 with local funding, was incorporated into the First ScotRail franchise; Oban 6.2 was pulled off the shelf and used as a bargaining chip in in the 2014-2015 First ScotRail franchise extension. These two projects demonstrate flexibility and a competitive tension that a franchisee can offer in order to secure a contract that delivers real and lasting passenger benefits.
9. The Abellio ScotRail franchise was supposed to represent a new departure with the formation of the alliance with Network Rail, a union that private sector bidders may have found difficult to establish, not the least since the reclassification of Network Rail to Treasury control. For the customer the alliance has altered little, and for Scottish Ministers there is still the opportunity to place blame for performance at the door of Network Rail - the agency they pay for but do not control.
10. Meanwhile Andrew Haines, Network Rail Chief Executive, has added that radical change is required at NR. Network Rail is seen as a monolith requiring greater devolution to the nations and regions of Great Britain.
11. Cost overruns on enhancement schemes, such as GW electrification, have not been experienced to the same degree in Scotland (Shotts, EGIP) where there is an acknowledged political commonality of purpose.
12. If NR is to be devolved to the regions and nations that fund it they will no long require the services of ORR for economic regulation as the underlying purpose of economic regulation is to ensure that the long-term viability of the network is not imperilled by unwise expenditure that may have threatened the ability of the infrastructure provider to meet its debt obligations. But NR debt is now the government's debt.
13. If Network Rail were to be fully devolved to a NR (Scotland) company, Scottish Ministers would control both sides as per ferries, where asset owner CMAL (single shareholder - Scottish Government) provides operator Calmac (ditto) with vessels and ports and harbours to enable it to fulfil the Clyde and Hebrides Ferry Services Contract. Consumer interest is advanced by a Communities Board but there is no external regulation such as that provided

by ORR beyond the role of the Maritime and Coastguard Agency for safety etc. West Coast ferries are in effect government run but can be characterised as being less in tune with local initiatives and needs than local bodies would wish and where greater devolution of management, control and delivery is sought.

14. Full Scottish vertical integration could be possible, with ORR very much involved to ensure paths for cross-border, freight and open-access operators. However, there would be a reduced role for ORR in terms of economic regulation as Scottish Ministers will decide on rail expenditure following their own budgetary and political requirements. There is no need for the legacy role of ORR presiding over the Periodic Review process which was put in place to ensure adequate funding for NR over each Control Period and to give surety to the financial markets, enabling private sector operators to develop business plans based on guaranteed train paths. The pipeline approach to enhancements gives government a greater say in the timing and development of schemes.
15. ORR will still have a role in safety regulation and in ensuring fair access to the network particularly for cross-border, open access and freight. But just as there is a separate arrangement for HS1, so there could be for devolved NR regions.
16. From a Scottish point of view Network Rail's repatriation north of the border may offer greater control over timetabling, Infrastructure Projects etc, whilst still retaining separation of operations and infrastructure, the accounting of which is enshrined in EU directives in order to allow transparency to engender competition and open access. Post Brexit this requirement may change.
17. With Scottish Government controlling rail, ferry, aspects of lifeline air services and road there is an opportunity to advance integration with greater regulation of the bus network, by ensuring contract compliance facilitates integration rather than appearing to prohibit it as at present.
18. Wales has developed a structure that goes beyond an alliance. TfW is a not-for-profit company owned by the Welsh Government which procured Operator and Development

Partner Keolis Amey to deliver services on Network Rail infrastructure and to take over the Cardiff Valley Lines from NR on a long-term concession. The ability to re-appraise parts of the network and move towards lower-cost, higher frequency operations which may permit on-street running is to be welcomed, and could be replicated on the Cathcart Circle, for example.

19. Scottish Ministers have openly sought to investigate the promotion of public sector bidder to compete for the ScotRail franchise. The Williams Review has effectively put this on hold, while at the same time Abellio continues to lose money on the franchise, with support coming in from parent NS.
20. The assumption that the private sector knows best has resulted in claims that passenger growth is due to them, while failures in industrial relations (Northern, GTRM strikes) could be attributed to the DfT stipulations in the franchise on Driver Controlled Operation.
21. Industrial relations have changed under privatisation with a free market in drivers particularly which has led to high wages. Staff loyalty has perhaps diminished as owners change hands with regularity. This may change under a not-for-profit regime.
22. Fares are a frequent source of passenger complaint despite price controls on the fares basket. The fares system is repeatedly found to be over-complicated. The decline in season ticket sales UK-wide means that franchisees have to find additional income.
23. Fares in recent years have increased to lessen the burden on the taxpayer. A public debate must be had on fares levels that offer value for money to the passenger, encourage modal shift but are sustainable in the long-term.
24. The simplification of the ticketing system through single leg pricing, while losing the advantages and anomalies in split ticketing and operator specific fares, should be linked to a new type of loyalty such as the Bahncard 100 (annual unrestricted travel for EUR 4395) and SBB's GA Travelcard (unlimited travel for c£3000). Both provide good working capital upfront and permit a seamless move into MaaS (Mobility as a Service) subscriptions. Network benefits, including through ticketing and railcards must be preserved.

25. Over-arching the debate on the industry's future must be the decarbonisation of rail to meet commitments on net zero by 2050 (2045 Scotland), and the new structure must facilitate this.