

## Consultation Questions

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### 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?

In common with other franchises, the ScotRail franchise already implicitly operates with a dual focus; any attempt to distinguish between the economic rail and social elements must be done in such a way that it is of benefit to both the franchisee and the country's rail service. Evidence from England has shown that where entire franchises are deemed to be "economic", there is risk of franchise collapse in certain conditions, with social consequences. In contrast, there are success stories of "social rail" projects that have gone on to be economic. By concentrating on a transparency of costs, revenues and benefits associated with each service during the lifetime of a franchise, there is likely to be more opportunity to ensure that the correct balance is achieved. Too rigid an approach could allow opportunities to be missed.

In terms of which services fall into which category, the document appears to have suggested a split on a route by route basis. It is assumed that the impact of time of day, and season of year in certain cases, will be taken into account when determining how routes are classified. As stated above, there is a danger of being inflexible; it should be possible for new services to be proposed on the basis of both economic viability and social impact.

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

The principal concern should be that the length of the franchise plus any potential extension is clear from the outset. Many of the arguments for relatively short franchises are based on the ability to adjust inputs, e.g. changing political or financial constraints. The arguments for relatively longer franchises are more output-focussed. It should be possible to manage some of the inputs on a longer franchise, whereas any corresponding influence on outputs in the shorter franchise is likely to be negative. A lot does depend on the nature of the relationship between the two political administrations and between the infrastructure provider and the franchisee, but given the potential for high capital and staff investment by the franchisee, a franchise length of ten years with a ten year conditional extension does not appear to be unreasonable.

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

As stated, there is a significant level of public subsidy required for passenger rail services. This does make it easier for the Government to take a view that as their money is a key part of the investment required for the franchise to operate, a risk support mechanism is an unnecessary cost. However, if a longer term spirit of partnership is desired, the use of a suitable "cap and collar" arrangement may be to the benefit of both parties.

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

The terms of the franchise should make use of publicly available economic statistics in conjunction with greater transparency of costs to allow profit to be treated as "efficiency" gain or due to wider economic growth. It should be recognised that a franchisee has more influence over one than the other, and any profit system share should reward efficiency appropriately. The use of some sort of profit share mechanism is highly desirable for both parties given the sensitivity and cost surrounding rail service provision; again a suitable "cap and collar" arrangement could provide an approach.

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

Encouragement of third party involvement is problematic due to potential impacts on the revenue and operation of passenger rail services set out in the franchise; in addition, the rail industry is only slowly showing it is able to deal with passengers with a degree of consistency. Ideally, the franchisee should be involved in discussions with any third party at an early stage to allow a mutually and socially beneficial relationship to be developed; ultimately, this needs to be a provision of the franchise agreement, preferably with guidelines as to when and how third parties could request to be involved, and what might be reasonable grounds for turning down such requests. Obviously this could require input from the Government as moderator.

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

With a relatively transparent accounting regime and the operation of a suitable "cap and collar" arrangement as previously outlined, coupled with a series of agreed performance and value targets. At its extreme, this does tend more towards a "management contract" rather than a traditional franchise; presumably some level of market testing would be required to see whether this is a model that could be successfully followed.

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

It is difficult to comment on this aspect directly; however, presumably any other options that would protect the delivery of services and public funds will be investigated. Would a Scottish holding company, along the lines of Directly

Operated Railways Ltd, be a feasible strategic approach in any such instance, and if so, are there opportunities to strengthen that model for any future franchise?

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

Early termination clauses coupled with financial penalties should be part of the franchise agreement. Allowing any default to reflect on consortia or their individual partners in future public contracts should also be considered by the relevant political administrations. It would be preferable, however, for a process of mediation to form part of the franchise agreement to ensure that such clauses are only triggered as a last resort.

### **Achieving reliability, performance and service quality**

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

The issue with either approach is the setting of the levels at which "good" and "poor" are measured. This is particularly problematic over a longer term franchise. There does have to be a minimum level of performance below which penalties apply, and this should be reviewed, with the franchisee, on maybe a three yearly basis.

In addition, penalties or incentives based on comparison with previous multi-year and/or industry averages could be used. Such clauses would tend to reward continuous improvement as opposed to being revenue neutral.

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

Alignment at a route level generally makes the process more understandable to the passenger than alignment with "service groups"; in some ways, a single system for the whole of Scotland is more meaningful for the passenger than industry-determined groupings. Assuming the degree of cost/benefit transparency suggested earlier, any performance regime should correspond with this.

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

All the items listed under 4.14 have some merit, but it should be noted that where passengers have a right to claim compensation, the franchisee will already be liable to greater financial penalties when busier trains are affected. A greater emphasis on individual journeys by taking into account delays incurred en route would be welcome particularly as many timetabled termination "arrival times" have been artificially increased over the years to

avoid performance penalties on late-running trains.

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

Generally speaking, journey times should take precedence over arbitrary performance improvements. The amount of time incorporated into any element of the timetable, including arrival times at final destinations, should be that required to complete that segment of the journey in normal circumstances. Aside from recovery times at final destinations, railway timetables generally reflect this. It is not usually in the railway industry's interest to delay a train without reason, and this is why it is only at a train's destination - where performance targets are measured and penalties imposed - that arrival times are artificially delayed. If performance was measured for journeys between any point on the network, and individual penalties adjusted accordingly (since experience suggests that there would be considerably "worse" measured performance, it would seem reasonable that the overall impact should be the same), there would actually be less incentive for the artificially extended journey times that currently are timetabled.

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?

Such a regime performs a useful function in protecting quality, but will presumably come at a cost of collating the relevant figures. It will be a more effective approach on a longer franchise where it is more likely that causes will be tackled rather than effects. The use of the regime for items not managed through the franchise could provide for a consistency of approach, but should only be considered if it does not increase the cost of the scheme unduly. Any self-monitoring scheme should be subject to some level of scrutiny.

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

Many aspects of train and station quality are subjective; this makes the use of customer feedback problematic to some extent; however, it may be that customer complaints related to train/station quality could be broadly enumerated to identify trends.

### **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?

Relatively speaking, Scottish services are not severely overcrowded. It is unclear how in real terms relaxation of existing "permitted" standing times or capacity limits would necessarily imply better use of existing train capacity

unless redeployment of rolling stock is envisaged. There is a logistical limit to how much benefit such actions can produce as the far busier lines in the London area can evidence. Standing times of 20-30 minutes are tolerable, but needless to say, probably not acceptable to the individuals concerned!

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?

A rather strange question, given that the document states that the franchisee is best-placed to determine the specifics of this. Key interchange requirements, e.g. with certain ferry services, could form part of the franchise requirements. In addition, a minimum commitment to staffing levels at interchange stations should be included. Greater use of interchange stations as termination points potentially means lower utilisation of resources except on routes where patronage is considerably different at various parts of the journey. In addition, station and track layouts can conspire to make certain interchanges more difficult for the passenger, if convenient for the franchisee.

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?

On certain routes, frequency and journey time for public transport will tie into broader social aims such as regeneration or reduced congestion. Other routes will receive improved frequencies and potentially journey times as a result of commercial incentives. Ultimately, journey times are more difficult for the franchisee to modify, and there are rarely incentives to extend journey times other than those provided by performance penalties.

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

Targeted specification, with perhaps minimum frequencies specified for every route would seem appropriate.

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

It is likely that commercial realities will dictate the level of innovation a franchisee is prepared to display. A contract that actively encourages regular dialogue between the parties to discuss potential improvements and changes would potentially facilitate commercial decisions. It should be noted that where franchises in the UK have been quite restrictive, Open Access operators have been the prime innovators, with franchisees later taking the commercial benefit. It would be better if the innovation occurred inside a more open franchise.

## Scottish rail fares

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

Policy should aim to ensure that public transport is an attractive travel option in comparison with the use of private motor vehicles, both in terms of overall cost and in terms of a degree of predictability to rail fares over a multi-year term. It should also be seen to be fair in application across the network.

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)?

Regulation of fares should apply to all season tickets; any other regulation should apply equally across Scotland, and not by proximity to Edinburgh or Glasgow; however, it might be applied in terms of journey length in a similar way to day return availability. In terms of peak/off-peak travel, whilst a degree of regulation of off-peak fares is desirable, it is clear that franchisees feel able to offer numbers of tickets well below the walk-up price; it may be that a better middle ground should be sought on certain routes. The level of difference in fares in what is a publicly-subsidised industry probably requires fundamental review.

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?

Use of an RPI formula can lead to a distortion between the relative attractiveness of private and public transport. A variation that takes this into account would be attractive. The use of higher fares over one part of the network is feasible, but whether to use "recently been enhanced" as the criteria seems to be flawed. On this logic, fares should drop where services have been impacted by other changes. As part of resolving anomalies, consideration should be given to a formulaic approach to setting a "standard" fare for peak and off-peak journeys which takes into account for any given route perhaps average speeds, capacity issues and frequencies. Enhancements would then "improve" these measures and result in increases, but from a common baseline. Similarly, for longer rural routes, the fares would potentially be cheaper per distance since frequencies, journey times and loading are all less.

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?

The actual difference may need to vary route by route. Across the network, the bulk of peak travel is to and from employment; for those travelling

regularly, off peak season tickets or flexipasses may prove an incentive.

### **Scottish stations**

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

Details of actual or projected customer usage, which is to a degree dependent on actual or proposed services, proximity and availability of alternative public transport, impact on existing services, broader social initiatives.

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?

Initially it would appear that locally proposed stations and services are likely to arise from true demand for services and can therefore only be good. However, review of the impact of the proposals on existing patronage, services and finances always has to form part of the consideration and this would need to be carried out by an appropriate body.

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 value?

Subject to the operational requirements of Network Rail, franchisees should be able to manage and maintain stations which are, after all, principally passenger facilities. Arrangements should be put in place that reflect normal commercial practice, with Network Rail (or whoever the station owner is) ensuring that their interest in the asset is recognised. It may be that where third-party leases are in place these should remain with Network Rail, but it should be recognised that whilst this simplifies Network Rail's income flows, it does restrict the freedom of the franchisee to manage the facility and innovate.

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

No comments.

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

Broadly in agreement with suggested categories, but it needs to be recognised that different levels of passenger flows require different levels of facilities. Staffing levels are particularly important at interchange stations, especially where the station is large or complex.

## **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?

On a purely financial analysis, cross-border services should not go beyond Edinburgh; however, as the principal problem of running cross-border services north of Edinburgh relates to the rolling stock currently used, more appropriate stock may make more sense than cessation. Whilst through services undoubtedly attract certain types of passengers, particularly those with mobility issues, these services represent poor use of available capacity and correspondingly poorer value to the taxpayer. If the balance of service specification were to shift more to Scottish Ministers and services north of Edinburgh were retained, it is likely that more finance would need to be diverted from a Scottish franchise in order to underwrite the extra cost.

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?

The biggest challenge facing an Edinburgh Hub would be the issue of capacity in and around Edinburgh Waverley; the station layout is also complex for those wishing to change especially given "mid-journey" ticket barriers and road traffic within the station. In short, careful thought needs to be given to improving the passenger experience of interchange at Waverley. The use of Edinburgh as a Hub could allow onward timetabling to be built around the Scottish franchise rather than having to account for historic cross-border service patterns; if station layout could similarly be improved the inevitable resistance to removal of a cross-border service could be reduced.

## **Rolling stock**

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

There are limited options for provision and replacement of assets with a 35-year life span, particularly if franchise lengths remain less than 10 years. If public finance could be used to establish a fleet for Scotland, in the same way as it is used to provide route infrastructure, this would presumably allow the closest match of requirements as well as potentially reducing the cost of financing.

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

Ideally toilet facilities and cycle racks should be available on all trains. Luggage space is always problematic; commuter routes generally need very



little, but at holiday times become exceptionally crowded with luggage. Obviously, if the Edinburgh Hub suggestion is followed, this will also increase demand for luggage space on onward services. Flexibility of space is key; it is possible that an approach similar to that used by airlines in being able to repurpose seating areas within a short time - as is already the case to a limited extent on some 158 vehicles - could be incorporated within future stock designs and operational diagrams.

### **Passengers – information, security and services**

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

The primary attraction of these services is to those travelling on business, i.e. generally on unregulated fares. It should therefore be expected that the level of taxpayer involvement in such provision is relatively low.

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?

This should be addressed on a route by route basis; where there is inadequate capacity that cannot be managed by other means (e.g. rolling stock redeployment), the flexibility to offer first-class services should be restricted. In effect, this is what has already evolved on commuter routes.

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

Whilst the intention of a ban on alcohol consumption on trains is to reduce bad behaviour, it should be noted that much of the bad behaviour on trains is due to consumption prior to boarding or non-alcohol related factors. Whether an analysis of the figures demonstrates that the majority of bad behaviour on trains arise from on-train consumption of alcohol needs to be demonstrated in some way. It may be that a more effective measure might be, e.g. barring alcohol consumption on trains between certain hours.

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

In a word – consistency. An over-reliance on disparate automated systems even at staffed interchange stations can mean that the information on the station is less accurate than the (often differing) information on the various websites. For any given service there should be one "gatekeeper" of information, and that should presumably be the franchisee who will update their information on the basis of automated train running information coupled with any other information available. All other industry "Publishers", be they websites or station information boards, should take their detail from this source. The release of data to external parties will unfortunately mean an

even more disparate range of information and interpretation, but the "official" channels should at least be consistent.

### **Caledonian Sleeper**

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

Given the level of public subsidy required, allowing a purely commercial approach would presumably result in the risk of removal of the service. The degree of specification, as with other services, should allow the operating company to exploit commercial opportunities.

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?

Given that the bulk of the traffic for the Caledonian Sleeper is from or bound for stations within the ScotRail franchise (with the Carlisle stop on the Lowland Sleeper an exception), the services should form part of the main ScotRail franchise.

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?

Undoubtedly, demand would reduce for the Caledonian Sleeper if it were possible to reach London by 9am by other services. This is particularly true for those living outside of Glasgow or Edinburgh.

The Highland Sleeper undoubtedly provides a significant service in that it supplements relatively infrequent rail or air services to the three destinations. There might even be a case for a similar complementary day-time service running fast to London from Scotland on a similar basis, i.e. covered by the ScotRail franchise. It is likely that Oban, with its ferry services, would be an attractive destination for overnight services. However, the nature of the route to Oban does mean that a road transport connection is a viable alternative for most intermediate points, which is not the case for Fort William. A road connection with a Fort William sleeper at Crianlarich could be a more attractive proposition than the current rail-only alternative involving a

cross-Glasgow transfer and arrival in Oban just before noon. In the first instance, a pilot involving road transport may demonstrate the likely potential of a future change.

It is difficult to see how facilities on the Sleeper services could be much improved without impact on capacity, and hence cost; the distances covered are, by international standards, relatively short, and therefore any increase in the cost relating to facilities will reflect badly on a cost per mile comparison with other modes of travel. Smaller improvements – for instance, provision of electrical sockets, or, given the limited rolling stock involved, wi-fi - would probably be more cost-effective, especially in increasing the attraction to business travellers.

### **Environmental issues**

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

The principle attraction of public investment in rail services is the environmental impact of a reduction in other less environmentally friendly travel. It is therefore important that additional environmental constraints are complementary. The handling of waste in the railway environment has traditionally been a particular challenge, and some requirement to adopt best practice in terms of recycling, etc. would be welcome.