

STUC Response to Transport Scotland's Rail 2014 Consultation

1 Introduction

1.1 The STUC shares Scottish Ministers' ambition to have a railway that '*offers value for money, acts in a co-ordinated, integrated manner and, most importantly, has passenger interests at heart*'. The STUC believes that trains should be of high quality, must be accessible and, above all, they must be safe. Train services should be accessible and contribute to closing the opportunity gap. Accessibility in its widest sense must be considered at the earliest possible stage of all policy development.

1.2 The STUC also welcomes the thorough consultation we have enjoyed with Ministers and Transport Scotland officials before and during the consultation period.

1.3 The STUC's response to this important consultation comprises some general comments followed by our detailed response to the questions set in the consultation paper.

2 Key issues

2.1 While the STUC shares Scottish Ministers' ambition for Scotland's railways, we have a number of serious concerns with ideas mooted in the consultation paper:

2.2 **Funding/Subsidy** – the STUC recognises that the Scotrail franchise is the single biggest contract tendered by the Scottish Government. With current constraints on the Scottish Budget it is understandable that Ministers are seeking to make savings. However, the railways are of fundamental importance to the economic and social fabric of Scotland. Should changes introduced as a result of Rail 2014 have a detrimental impact on the range and quality of services it is inevitable that the economic and social fabric of Scotland will be diminished as a result. The railways will always require a public subsidy which the benefits more than justify. It is essential that Scottish Ministers and Transport Scotland pursue an approach which prioritises retaining revenues and profits within the railway rather than increasing costs for passengers or cutting the range and quality of services.

2.3 **Fragmentation** – the STUC does not support proposals to fragment the Scottish railways system by splitting the current franchise into 'economic' and 'social' components or through the creation of additional franchises for Edinburgh/Glasgow or the sleeper services. Perhaps the most important lesson learned through failed privatisation of the railways is that such fragmentation creates additional interfaces and expensive inefficiencies and threatens necessary cross subsidy. The Scottish rail transport system benefits from having one franchise covering 95% of rail journeys; it would be a huge mistake to break this up.

2.4 For instance, a separate Glasgow-Edinburgh franchise raises a number of serious operational issues:

- rolling stock - additional rolling stock would be required to deliver existing levels of strengthening in peak periods;

- network capacity – rolling stock requirements would increase (for no net benefit to the travelling public in terms of additional seats) but there would be no consequential action to address insufficient capacity (stabling and terminus stations) on the (existing network);
- staff – train crew staff requirements would increase and there would be growing variation of staff pay and conditions that would damage stability and threaten constructive industrial relations.

2.5 **Staffing issues** - It is disappointing that some of the issues we regard as fundamental to the effective delivery of railways services have been entirely omitted from the consultation exercise. Effective rail services depend on motivated staff benefitting from fair pay, decent terms and conditions and pensions rights with access to career progression and training. Safety is of course an absolute necessity.

2.6 The issue of employment on rail services (and indeed in stations) is not adequately addressed in the consultation. We note that section 10.24 states that '*It is our intention for the next franchise that a driver and another member of staff shall be present on every service*'.

2.7 Evidence supplied by our affiliated trade unions suggests that currently it is not unusual for services to run without two members of staff. Therefore, the STUC believes that that franchise should be amended to insist on a second member of staff; failure to comply should incur an immediate and serious penalty.

2.8 Section 10.24 also fails to recognise the specific role undertaken by train conductors who are fully trained in safety procedures. It is a major concern that the wording of the consultation, and potentially the next franchise specification, undermines this important role and paves the way for Driver Only Operation to be extended across the network.

2.9 Many of the potential changes mooted in the consultation will directly impact on the number and quality of jobs across the rail network. It is essential that change is introduced with full consultation with the rail trade unions.

2.10 In this context the STUC must again raise the longstanding issue of ***indemnification of industrial disputes***. It continues to be the case that the franchisee can be compensated by Transport Scotland for any revenue loss resulting from an industrial dispute. This creates perverse incentives at the heart of the franchising process; the operator has no incentive to bargain responsibly to avoid industrial action. It is yet another factor which allows the private operator to accrue large profits whilst avoiding risk.

2.11 The STUC has been informed by Scottish Ministers in the current administration (and also by previous administrations) that no decision will be taken to indemnify the franchisee without first consulting with other stakeholders. However, the process by which this consultation will take place has never been detailed.

2.12 The STUC firmly believes that the next franchise must drop the indemnification provisions. As a minimum, Scottish Ministers and Transport Scotland must outline in detail how the process of consultation with stakeholders will be conducted prior to a decision on indemnification.

STUC
February 2012

Annex B

Respondent Information Form and Questions

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

Scottish Trades Union Congress

Title Mr ☐ Ms ☐ Mrs ☐ Miss ☐ Dr ☐ *Please tick as appropriate*

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3. Permissions - I am responding as...

Individual

☐

/

Group/Organisation

Please tick as appropriate

☒

<p>(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?</p> <p><i>Please tick as appropriate</i> <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis <i>Please tick ONE of the following boxes</i></p> <p>Yes, make my response, name and address all available <input type="checkbox"/></p> <p style="text-align: center;"><i>or</i></p> <p>Yes, make my response available, but not my name and address <input type="checkbox"/></p> <p style="text-align: center;"><i>or</i></p> <p>Yes, make my response and name available, but not my address <input type="checkbox"/></p>	<p>(c) The name and address of your organisation will be made available to the public (in the Scottish Government library and/or on the Scottish Government web site).</p> <p>Are you content for your response to be made available?</p> <p><i>Please tick as appropriate</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?</p> <p><i>Please tick as appropriate</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>	

Consultation Questions

The answer boxes will expand as you type.

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?

Q1 comments:

The STUC believes that the consultation paper singularly fails to make a persuasive case for a 'dual focus' franchise. Indeed, the failure of the consultation paper to specify which of the current routes Transport Scotland regards as 'economic' (potentially profitable) and 'social' (requiring subsidy in all circumstances) means that a comprehensive discussion is impossible.

As is common with Government papers of this kind, the view of what the market will ultimately deliver is very naïve. It is by no means certain that an operator working within a strictly time-bound franchise period would be 'willing to invest'. Much more likely is that the incumbent operator would seek to maximise returns over the short-term. The STUC does not believe that a contract could be designed - acceptable to Government and industry - that embeds effective incentives for performance and investment when the alternative is easy maximisation of economic rents.

In any case, the experience of delivering rail services in the post privatisation world is that further fragmentation and the creation of additional interfaces should be avoided at all costs. It must also be assumed that cross-subsidy will

be threatened but, again, it is impossible to be definitive given the lack of detail.

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

Q2 comments:

The STUC does not believe the franchise should be extended in current circumstances, particularly given the potential for further constitutional change which could lead to greater powers over the railways – and genuine potential for public ownership – being devolved to Scotland.

Any move towards longer franchises must include robust break mechanisms at 5 year points within the contract.

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

The STUC does not see any reasonable case for a risk support mechanism in the franchise. This issue highlights the lack of a coherent intellectual basis for rail, and indeed other, privatisations. We are told that introducing competition through the franchising process will enhance efficiency and lead to higher quality outputs for the same or less inputs. And yet, the commercial operator requires to be shielded to a greater or lesser extent from the any potential downsides. This is intellectually and morally indefensible and shows 'competition' up for the charade that it is.

In this context the STUC must raise the longstanding issue of indemnification of industrial disputes. It continues to be the case that the operator can be compensated by Transport Scotland for any revenue loss resulting from an industrial dispute. This creates perverse incentives at the heart of the franchising process; the operator has no incentive to bargain responsibly to avoid industrial action.

The STUC has been informed by Scottish Ministers in the current administration that no decision will be taken to indemnify operators without first consulting with other stakeholders. However, the process by which this consultation will take place has never been detailed.

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

Q4 comments:

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

Q5 comments:

The STUC does not believe that third parties should be involved in the operation of passenger services.

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

Q6 comments:

The STUC believes that the best way to structure and incentivise the achievement of outcome measures is the democratic accountability provided by public ownership.

There is a fundamental tension in a franchising process that involves a tight service specification to ensure the operator delivers a minimum level of service and a requirement to 'innovate to deliver efficiency improvements'. It is difficult to see how these tensions can be eradicated. Very often the only 'innovation' the private sector has managed to provide is an attack on jobs, wages, pensions and terms and conditions.

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

Q7 comments:

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

Q8 comments:

Sanctions must be robust, effective and proportionate to the scale of the poor performance. Monetary penalties will be appropriate for lesser transgressions but it will be necessary to consider much tougher penalties in some circumstances (major health and safety failures). These might include withdrawal of the franchise and/or being prevented from future bidding processes.

Achieving reliability, performance and service quality

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

Q9 comments:

The Scotrail franchise has delivered very significant returns to the franchisee. Therefore there is no case for the operator to be handed further incentives; the suggestion that additional incentives are necessary in order to deliver an acceptable level of service highlights the many absurdities of the process. The solution is not to further enrich the franchisee's shareholders but to revisit the process itself.

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

Q10 comments:

This question rehearses some of the arguments at question 1. The dangers of moving to separate performance regimes risks integration and the provision of acceptable standards across the communities of Scotland. There should only be one performance regime for the whole country.

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

Q11 comments:

As the RMT notes in its submission, the results of the National Passenger Survey provide a compelling guide to better alignment of the performance regime to passenger issues:

"...in the 2011 survey it was found that in Scotland passenger satisfaction had fallen in 3 categories in terms of the availability of staff (on stations, trains, and trains regional) whilst passenger satisfaction had increased in all 4 categories in terms of the attitude and helpfulness of staff when they were available. Such an approach would, in terms of this example, set a clear target for greater levels of staffing across the franchise".

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

Q12 comments:

The STUC rejects the suggestion (4.8) that journey time targets should be eased to improve punctuality. Journey times should be specified in the contract in order to prevent the franchisee manipulating journey times in order to meet performance targets.

It is also essential that advertised journey times are realistic to prevent passengers being deterred from using the railway. After all, encouraging modal shift is a long-standing aim of both Government and trade unions.

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?

Q13 comments:

The STUC believes that SQUIRE (or similar regulatory regime) is necessary to maintain common minimum standards for stations and service delivery.

However it is essential that the railways trade unions are consulted on the design and implementation of this regime. We are aware of instances when failures under SQUIRE have resulted in staff being disciplined. This was not the purpose of the regime and it is unacceptable that it is being used in this way.

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

Q14 comments:

The STUC has no clear proposals in this area but would state that it is essential that any new mechanisms should be at least as robust as those they are designed to replace.

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?

Q15 comments:

The STUC is surprised at the use of the word 'permitted' in this context as we understand it does not appear in the current franchise.

Any passenger purchasing a ticket should expect to sit for the duration of their journey. Whilst we accept that there are challenges in extending capacity, it is wrong to seek to deal with the issue of overcrowding through managing down passenger expectations. Addressing the issue in terms of 'acceptable standing times' is therefore very unhelpful.

There is certainly more that can be done to persuade employers of the

benefits of establishing genuinely flexible working arrangements; this may, for instance, benefit travellers on the Glasgow-Edinburgh service by reducing demand at peak times. Such measures could also be enhanced by ticket price flexibility/incentives.

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?

Q16 comments:

No, the STUC believes it is important to maintain direct services where possible, recognising that journey fragmentation is a major concern for disabled people, the elderly and families with children.

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?

Q17 comments:

Principal-agent and moral hazard problems are an unavoidable consequence of tendering for essential (economically and socially necessary) public services. If the Government doesn't specify – and specify tightly – the operator has a very strong incentive to maximise profits by ignoring socially necessary but economically unviable services. General service quality would also decline. A service specification which is watertight in terms of number of services, frequency and journey time is therefore unavoidable.

There are also a number of key workforce issues related to this question (see cover paper).

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

Q18 comments: see above

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

Q19 comments:

As stated above, the STUC believes it is at best naive and at worst very damaging to assume that contracts can be designed which provide for

minimum levels of service whilst providing scope for innovation. 'Innovation' in such circumstances tends to equate to falling service levels and standards. In too many cases it also means attacks on the employment and terms and conditions of the workforce who deliver the services.

Scottish rail fares

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

Q20 comments:

Fair policy should seek to challenge social exclusion, promote economic development and encourage modal shift. Policy should also seek to simplify what is currently a very complex, opaque system. Fare policy can also have an impact on better integration between transport modes.

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)?

Q21 comments:

The STUC believes that all fares should be regulated. Leaving some unregulated risks reversing modal shift; as the franchisee hikes fares on profitable routes, passengers will simply return to the car.

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?

Q22 comments:

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?

Q23 comments:

The STUC believes that the differential in peak and off peak fares should remain and continue to be regulated.

Scottish stations

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

Q24 comments:

The STUC, like the Scottish Government, wishes to see the Scottish rail network expanded; we do not believe any stations should be closed at the current time. Criteria such as footfall or proximity to other stations are very unreliable in identifying stations for closure. Usage is determined by current timetabling and frequency decisions; footfall could rapidly change with the introduction of new and/or improved services.

The STUC is particularly concerned by suggestions that some Glasgow stations (and indeed some services such as the Maryhill line) are under threat due to their proximity (half a mile) to other stations. This thinking betrays a complete failure to understand how people – very often with limited or no transport alternatives – access these services. Pursuing these plans risks progress towards a range of the Scottish Government's economic and social targets.

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?

Q25 comments:

The issue that arises is the very long-standing one of further fragmentation.

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?

Q26 comments:

The STUC agrees that the situation outlined in paras 7.16-7.18 is unacceptable. The solution is for Network Rail to retain responsibility for all stations as it has the incentive to manage and maintain the stations as long-term public assets.

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

Q27 comments:

The best incentive for communities to support their local station is the provision of excellent and affordable rail services.

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

Q28 comments:

The current Network Rail categorisation of stations by footfall should be maintained.

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?

Q29 comments:

Yes, cross-border services must continue to go north of Edinburgh. Again there are direct implications for those with access issues. Stopping these services will hardly encourage modal shift from air to rail for Aberdeen and Inverness travellers. The interests of the franchisee would be prioritised over passengers and the environment.

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?

Q30 comments:

Rolling stock

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

Q31 comments:

Rolling stock should be publicly owned and accountable but, as a first step, the ROSCOs should be regulated.

The STUC hopes that Transport Scotland and the Scottish Government are considering the long-term implications of building the industrial capacity to build rolling stock in Scotland. Building on the existing industrial base (i.e. bus manufacture) and learning the lessons of the recent Bombardier fiasco, we believe this entirely achievable.

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

Q32 comments:

Passengers – information, security and services

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

Q33 comments:

Better mobile phone and WI-FI services are essential to encourage modal shift and should be provided for in the franchise agreement.

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?

Q34 comments:

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

Q35 comments:

Full consultation with the trade unions is necessary on this matter. Who will police the ban? Will the ban bring staff into conflict with members of the travelling public?

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

Q36 comments:

By ensuring that trained and visible staff are present on train and at stations.

Caledonian Sleeper

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

Q37 comments:

Yes, sleeper services should continue to be specified.

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?

Q38 comments:

Sleeper service should remain part of the franchise. If the service is to appear attractive to the private sector, cutting routes and/or regularity of service seems inevitable. This would be a very bad outcome for economic, environmental and social reasons.

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?

Q39 comments:

Environmental issues

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

Q40 comments:

Year on year targets for emissions reductions and where possible, quantity of waste sent to landfill.