

Attn. Sharon Wood

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

Consultant- Venture Capital

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

Surname

Smaill

Forename

Peter Menzies

2. Postal Address

Currie Mains House

Borthwick

Gorebridge

Midlothian

Postcode

EH23

Phone

01875 820757

Email

smaillp@aol.com

3. Permissions - I am responding as...

Individual

/

Group/Organisation



Please tick as appropriate



- (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)?

Please tick as appropriate ☒ Yes ☐ No

- (b) Where confidentiality is not requested, we will make your responses available to the public on the following basis
Please tick ONE of the following boxes

Yes, make my response, name and address all available ☒

or

Yes, make my response available, but not my name and address ☐

or

Yes, make my response and name available, but not my address ☐

- (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).

Are you content for your **response** to be made available?

Please tick as appropriate ☐ Yes ☐ No

- (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?

Please tick as appropriate

☒ Yes

☐ No

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 public debate on rail suffers from a lack of connectivity due to the assumption that social and environmental considerations justify almost unlimited amounts of subsidy. Since the majority of rail use (km/passenger) is by AB citizens it is not the most economic means of achieving social goals related to transport. Secondly, the CO2 emission savings particularly on rural routes are minimal to negative dependent on loadings and substitution effects.

So a clear identification of the costs of the non-farebox reflected outputs should assist more informed debate. My suggestion is that ticket technology now allows the related total subsidy to be printed on the rail ticket so as to create a more informed public.

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

Q2 comments: The optimum lengths depend on physical characteristics of the routes and infrastructure. If the related ROSCO contract needs to be long-term (e.g., eastCoast sets) then so does the franchise; but then, the agency risk increases and a more complex system of KPI's becomes essential

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

Q3 comments: The cyclicity of rail revenues can be modelled (already is) and can then generate variable access and franchise payments. However, this should not absolve the TOC of the obligation and incentive to reduce services within agreed parameters to avoid near empty trains during downturns. Minimum average loadings as a floor to service reductions could be formulated. The point at which a rail service is a negative CO2 contributor might be a start and takes the argument away from social conservatism ("There's always been an 22.15 so there always should be...!!")

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

Q4 comments: It is perfectly possible to construct a cap-and-collar which keeps incentive but avoids the disruption of a returned franchise due to a temporary downturn. The issue for the ROSCOS and TOCs is whether this can be made back-to-back with their financing source, In all events current

market conditions indicate that more equity and less debt will be appropriate. Profit is emotive in this debate but if capped at a % of turnover then the number will be small and the debate should become less biased. No profit means no bidders, no investment and no risk taking if innovations are needed; which, following McNulty, they must be if total subsidy is to fall.

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

Q5 comments: Coterminous with the franchise, as if minority investors, subject to a requirement to be trained in knowledge of rail and not just passing about a local authority or quango begging bowl! If non-execs then they have a duty to the Board and stakeholders generally rather than being narrowly based in their sponsor. The main plus will be exchange of information and the facilitation of interactions leading to an integrated transport plan conscious of costs and benefits.

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

Q6 comments: In this complex area rail is moving to a KPI test of cost/passenger kilometre which will have some interesting data comparisons to offer especially on rural lines. There the only answer is to pay the subsidy but measure it intermediate lines may find that the concept of regular services throughout the day has to give way to fewer trains but a complementary bus timetabling/route. This objective approach as suggested by McNulty is as good as any at a meta level. Of the subsidiary issues like timekeeping, overcrowding, cleanliness etc. then it becomes more subjective

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

Q7 comments: The TOC franchises (E Coast in particular) have been auctions for an option position with back-loaded payments and maybe bids for these are evaluated using Black-Scholes at the corporate side of the table. Thus failure and handing back is a computed scenario at the outset. The level of performance bond should be high enough to capture at least half of the option value such that the risk is on a partnership basis

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

Q8 comments: To cripple the franchise by financial penalties when economic conditions are to blame is not very smart. More trigger rights to achieve replacement of underperforming individuals- eg swamping the board of the operating entity- might help but these need to be carefully drafted legally

Achieving reliability, performance and service quality

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

Q9 comments: Yes a good idea but demand visibility of the relayed bonus scheme- ie not just the top staff!

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: Route by Route since the operational challenges are so varied

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

Q11 comments: The increasing focus on communication KPI's is a step in the right direction. Problems are well tolerated when they are explained! Compared to the airlines however there is always a cultural problem rooted in high unionisation which reduces motivation and there is no easy answer to that.

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

Q12 comments: Your own surveys of passenger numbers relative to rescheduled but more reliable speeds should show this. Some comparative studies on air and road delays might help show that rail is only a problem because expectations are so high and the impact of the safety culture is not well understood.

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 passenger sees a rail trip as a single entity and thinks the station, carriages track et al are really one offering. All aspects!

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

Q14 comments: You should look to the rest of the EU and also work on using retirees as "Friends of the Station" on a volunteer basis – tidying, flowerbeds, information etc., -reward with a few free tickets! Make the station part of the community

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: Commuters are often highly intelligent but irrational when it comes to a demand for seat guarantees at the morn/pm peak. As a London Underground user a twenty minute stand is common and the advent of internet should mean many can avoid the train is this is their issue.

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:.

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: the latter, subject to clear criteria- and six month preparatory period under a "use it or lose it" formula

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

Q18 comments: Specialist question

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

Q19 comments: You might consider instead of cash payments, offering additional months and years to the franchise in exchange for transparently effective innovation. But this involves defining the base case, what is and is not innovation, and how much it is worth in benefit or cost. Cost reduction is perhaps reward in itself but if it occurs at the end of the period then there is little benefit to the TOC and then the extension idea may be best provide service quality has not been diminished per passenger kilometre.

Scottish rail fares

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

Q20 comments: To capture the highest continuing revenue relative to cost by allocating scarce capacity at prices which optimise farebox

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: It is a question of mode transfer risk- charge well where there is no viable option, charge less when a local market is price sensitive. The techniques are well established but the complexity of the result is the problem.

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: As you point out, the combined TOC and Network rail subsidy is 74% of gross revenues, only 26% is farebox. Few in Scotland are remotely aware of this and rarely do any reflect that the cost of running a car has risen much more than rail transport. Somehow they think a medieval "just price" applies. A goal would be to use a rail-specific fare inflator capturing fuel costs over which there is no control and any new regulatory costs which are Governmental driven.

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: Another interesting farebox optimisation question, see Q21. Changing what the off-peak period actually is causes significant consumer reaction and as long as trains have seats no-one sees the rationale.

Scottish stations

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

Q24 comments: Some interesting ideas here- if over a 12 month period it costs more to stop the train then the station has to go. Environmental benefit, speeds up the other rail user' journey. New stations – can have good paybacks but locals should have to contribute something to show willing, directly or via their Councils (hope you have worked out the ECML congestion effects re East Linton!)

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: Some locations have the possibility of a housebuilder contribution and working for planning permission with the LA could achieve this. Many plans will not be viable including costing in the inconvenience to other passengers

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: Question of back-to-back with the source of finance as there is no alternative use value- a ten year payback would be too fast so the case for lumping in stations perhaps problematic

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

Q27 comments: Back to...competitions for the best appearance, volunteer support (happens in England),

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

Q28 comments: Primo-Bureacratic taxonomy question; pass; secondo – the biggest bugbear is turning up and finding no parking available, which means you miss the train. This sometimes includes non-rail users filling it up (as you will know). Doubtless the problem has been running for years but as it invalidates a car/rail approach to travel the effect on mode choice is profound.

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: Aha the Aberdeen /Inverness question for ECML. No they have not made sense for years. The train sets are far too big in this environmental age N of Edinburgh so some trade-off makes sense ...you need to show the CO2 impact and cost of the present arrangements so the folly of pretending this is still 1893 comes home to roost. I have in the past done both journeys end-to-end and it was even then a minority sport given the air links. Now the flights can be so cheap the assumption must be that the users are time-rich and money rich too.

The trade off could be a couple of better and quicker limited stop trains each way each day. Indifferent as to which Government does the deed and gets the blame or in my case praise for taking this logical step.

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: Yes but the risk of missed connections needs to be handled especially if the last ECML of the day misses the last Aberdeen/Inverness connection...contingency plans required (train in reserve at that time, when some spare sets are around?)

Rolling stock

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

Q31 comments: See McNulty on this – alarming rise in the cost of new rolling stock will feed through the lease charges. Increasing longevity of use the obvious answer which again means cutting back the near-empty services

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

Q32 comments: Totally variable according to route and the propensity of the service to drive persistency of sales. Rail catering is notoriously loss-leading and the development of good retail outlets at the hub stations makes one wonder whether an automatic beverage machine and snack dispenser is what is actually needed.

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: A huge boon on ECML, and a key differentiator for rail against every other form of travel,. Time is productive and/or enjoyable online. I would be surprised if there were not a good payback on this initiative (if it can be measured reliably.) Service issues however (train staff haven't a clue if it does not work but why should they....)

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: Pure commercial decision to maximise income. On some London lines First is just the presence of an antimaccasar on the seat nowadays, you can vary the number just like on a plane!

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

Q35 comments: Football and Rugby traffic is something else, but I've never seen this be so serious that the pleasures of the many on a journey are justly denied. I don't think SNCF will do this anytime soon!

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

Q36 comments: I use Blackberry but the site is poor, maybe Transport Scotland could do better, or the TOC.

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: After forty years man and boy using them I fear that this form of travel is coming to an end across European networks. But so it should. It is an unjustified subsidy of £17,000 per train to expenses/wealthy berth passengers and when the carriages come to the end of their life they should not be replaced, there are many better rail schemes. A late train with seats only might be OK as the staff costs on the berths are surely prohibitive.

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: If you must have them, separately so the subsidy is apparent to all

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: Yup a backpacker special instead could be better. Nothing you can do will make the experience a good night's sleep. The early EC service to London ex Edinburgh is better, or a flight.

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: The break-even point of passenger loadings such that CO2 etc emissions are less than the same number going by car (1.5 persons

occupancy) is a level below which a service should be withdrawn or modified.
Running of diesel motors while stationary also needs attention (problem esp
Waverley and Glasgow QS)