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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?

Q1 comments: The aim of the franchise should be to incentivise the franchisee to provide good quality services, and to increase the usage of the network, and thus potentially the profitability of the franchise. The problem with a dual-focus franchise is that it may never incentivise the franchisee to increase the usage of the routes designated as social. On the other hand, no one will bid for known loss-making routes unless there is a certainty that the profits from the other routes will be sufficient to offset anticipated losses. Is it possible, without using a dual focus franchise, to encourage bids for a minimum service level whose profitability will depend on usage exceeding that level? If usage varies by season, would it be possible to designate a route as social only for the season of low usage, and thereby set a floor to the franchisee's anticipated losses?

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

Q2 comments: A longer franchise allows more time for planning investment and recouping initial costs. This is especially important if a new market is to be exploited.

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

Q3 comments: Losses resulting from a recession, or from the known level of usage at the beginning of the franchise, will need subsidy, implying an agreement as to the anticipated levels of revenue and cost before the franchise starts. This way government liabilities will be limited, as will some of the losses which a franchisee could incur.

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

Q4 comments: Profits resulting from an economic boom could be subject to profit share, but profits resulting from efficiency or newly generated business would stay with the franchisee.

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

Q5 comments: Third party involvement would enable them to take the full risk of a venture they promoted if they chose, but also to agree a risk and profit share arrangement with the franchisee. It would enable newcomers to try their hand in the hope of being a suitable body to apply for a franchise on the next occasion, but also establish the viability of a partnership if the third party operates other modes of transport. What is said about the legal framework in the consultation document appears to preclude government involvement once the franchise has been let.

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

Q6 comments: If the outcome measures are linked to value for money for the passenger, particularly reliability, timekeeping and ending overcrowding of people and luggage, then the main incentive is retaining the profits generated; any demand for subsidy to secure the investment needed to secure these outcomes would mean profit sharing with government, tapered so that early profits went to the government until the extra subsidy has been paid off.

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

Q7 comments: Parent company guarantees presuppose that the parent company survives, which may not always be the case, so guarantee by performance bond is preferable. The current arrangement whereby the government effectively pays the performance bond is undesirable. The greater the cost to the franchisee of a performance bond, the greater the perceived risk of that franchisee failing and the government having to go through the franchise process again, which should be a factor to take into account in awarding the franchise in the first place.

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

Q8 comments: The extreme sanction is loss of the franchise and being billed for the additional costs of repeating the franchise process. It may be possible to agree penalty clauses for failing to meet output requirements.

Achieving reliability, performance and service quality

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

Q9 comments: The reward for exceeding standards should come from attracting more passengers, so a penalty for falling below standards seems sufficient.

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: The performance system should be aligned with actual routes.

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

Q11 comments: Passenger priorities should be established by survey, and penalties imposed if standards for these priority issues are not met.

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

Q12 comments: Poor performance and poor time keeping should both be penalised. The definition of poor time keeping should be aligned with passenger expectations, meaning a train is late if it arrives after the published time of arrival. Since interchange times are now often quite tight, compensation should be payable to passengers for any arrival more than 5 minutes after the scheduled time, regardless of the cause of the delay. Late arrival should also be a factor in any PPM penalty.

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: Subject to question 14 below, the SQUIRE system may be required if it is the only way of measuring Network Rail and/or the franchisee.

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

Q14 comments: Any measuring system will lead to management towards the criteria of that system. This suggests that both Network Rail and the franchisee should be required to establish by regular survey what aspects of station or rail provision is of concern to passengers, and then take action to reduce passenger concern; there should be an annual penalty if passenger concerns are not reduced below those of the previous year.

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: There are safety implications to overcrowding, which mean that simply maximising the utilisation of existing rolling stock by allowing more or longer overcrowding is undesirable; setting a 105% limit on capacity is desirable on safety grounds, in which case the 10 minute limit could be removed, but may imply longer or more frequent trains at certain times of day.

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: Every change increases the risk for the passenger of a missed connection and guarantees a longer journey. If the passenger has luggage, an extra change becomes even less desirable. The aim of scheduling should thus be to minimise interchange while enabling modal change and integration with other transport services, facilitated if possible by through ticketing.

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: Subject to question 18, frequency and service provision are in general best determined by the franchisee.

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

Q18 comments: Targeted specification should be used wherever governmental objectives such as improving social inclusion and access to employment opportunities are a consideration. Where no governmental objective exists, no specification seems required.

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

Q19 comments: The normal incentive to be innovative is the expectation of making a profit.

Working with a third party as in question 5 above may generate additional business for both. The documentation to be completed by would-be franchisees should state that they are being given the opportunity to make profits, and that they may innovate to do so.

Scottish rail fares

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

Q20 comments: The purpose of government fares policy should be to meet its social and environmental objectives where rail services would not exist without subsidy. The problem is that such a policy removes the normal incentive of profit from franchisees if the effect of increasing usage is to cut the subsidy they receive from government. This implies that franchisees should be encouraged not to rely on subsidy and should retain all profits achieved by increasing their turnover.

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: If current proposals to reduce petrol prices in rural areas are implemented, railways will have to be price competitive to attract passengers in all parts of Scotland and on all types of journey. This implies that no regulated fares are required, though government may need to invest directly to meet government social objectives.

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: To achieve the balance implied in question 21, a transitional deregulation regime will be required before the current regulation of fares is fully abolished. Earlier deregulation could be achieved where investments have recently been made.

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: It should be in the interest of the franchisees to spread usage more evenly through the day, so they should be encouraged to experiment with the level of difference needed to shorten times of peak travel. Season tickets could be issued in two classes, peak and off peak. In terms of nomenclature, it may be more accurate to term the current off peak 'standard', and the current rush hours 'peak hours surcharge'; such a terminology may not be too popular but may encourage debate with employers about staggering office hours where possible.

Scottish stations

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

Q24 comments: A station is needed if it provides the only means of access to the railway network from that area. Where it is underused and good locally acceptable alternatives exist, it may be closed. Conversely, a site which the railway passes which a reasonable number of people would use, should be considered for a new station; this applies whether or not a station formerly existed there.

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: Third party involvement should be welcomed in station provision if willing parties can be found; this implies they have the resources, or expect the income, to enable them to meet the normal standards for stations.

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: Network Rail may be best placed to take on the role of maintenance to a wind and water-tight standard of all stations, with the franchisee being responsible for their facilities and staffing. If a facility has a residual capital value at the end of a franchise from which the next franchisee will benefit, it would be reasonable for the new franchisee to make the appropriate payment to the old franchisee at the point of take over.

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

Q27 comments: Local communities would need to recover their costs, so should be able to charge passengers enough to do so.

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

Q28 comments: The proposed nomenclature seems over complex, since from a passenger's point of view a station is either a destination or an interchange; principal stations are normally both. The other categories seem unnecessary. Toilets, ticketing and timetables seem necessary everywhere, as does information on when trains will actually arrive and on what platform. Providing refreshments is a bonus, but implies enough passengers to make it worthwhile; numbers of passengers are not directly related to function, though an interchange may have more than a destination.

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: The direct services between England and Scotland on the East coast are used by workers in the oil industry between Aberdeen and Newcastle as well as students travelling from England to the East coast universities or military personnel to bases in Edinburgh, Leuchars and further north. Making everyone change at Edinburgh will cause problems for those with luggage, especially if

they are older than the groups so far mentioned, and will increase journey time. The benefit to passengers of the current arrangements is thus clear. Trains generate economic benefit, and thus the tax revenue to pay Scotland's share of any subsidy, including business lost by ScotRail. Since Scottish taxes are involved, both Scottish and UK ministers should specify these services by mutual agreement for the benefit of passengers.

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: No additional benefit will accrue to passengers from an Edinburgh hub, since no change is proposed in the destinations served. Cross border services should be encouraged to extend north of both Glasgow and Edinburgh, to Inverness as well as to Aberdeen.

Rolling stock

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

Q31 comments: The main way of reducing costs for rolling stock appears to be by accelerating the transition to electric, though electrification will incur significant infrastructure costs. If the source of electricity can also be greened further, accelerating electrification will contribute to the Government's Carbon reduction objectives as set out in legislation.

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

Q32 comments: A train should be properly heated and ventilated, and with on board toilets and adequate luggage space. The provision of refreshments is desirable, but depends on the train not being too overcrowded for a trolley to get through; a shorter journey may manage with less luggage space and without refreshments, but flexibility of stock utilisation suggests that different provision of luggage space is undesirable.

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: The number of passengers with laptops suggests this is a high priority for long distance travel, which will automatically make it available for some commuter routes as well; mobile phone provision already seems adequate on most routes.

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: The provision of first-class accommodation should be left entirely to the franchisee, provided the overcrowding limit of 105% suggested in question 15 is respected.

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

Q35 comments: Alcohol should only be banned where there is evidence of a problem recurring on a particular route or time of day.

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

Q36 comments: All carriages should have the screens carrying next stop information, as well as the remaining stations to the terminus; the same screen should enable announcements when delays occur. If technology permits information about connections at the next interchange station, including time and platform of departures, this would be helpful.

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: Because of the rural character of the Highlands, it would be necessary for targeted specification, as in question 18, for any sleeper service to or from Highland destinations. Otherwise sleeper services should be a purely commercial matter.

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: A specialised franchise would attract bidders seeking an upgraded and innovative service to compete with air and budget hotels. It should therefore be separate from 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?

Q39 comments: The appeal is being able to sleep through until shortly before reaching one's destination. This does not work if a sleeper journey requires getting up in the middle of the night at an interchange station, as is currently possible. The solution here is not so much earlier or later starts, as to access more destinations at either end, e.g. Plymouth or Cardiff as well as London in the south, Oban or Fort William, Aberdeen or Inverness in the north. Access to nearby toilets and a comfortable bed are the main requirements, en suite being a luxury on a train which I probably would not pay extra for. The luxury I do associate with sleepers is being woken up in the morning with a cup of tea. Ultimately, destinations, timing and number of sleeper services should be for the franchisee to determine, apart from the Highland destinations which should be targeted specifications.

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: All the elements mentioned in this section should be included in the High Level Output Specification, and incorporated as appropriate in the individual franchises. The most difficult to achieve will be matching capacity and demand when attempting to increase modal shift.