

Scottish Association for Public Transport

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Introduction

1 These consultations differ in character but seek respective responses by 18 and 22 October as part of plans for transport following the McNulty Report on rail 'value for money', the UK Comprehensive Spending Review and related implications for the Scottish Budget for 2011-12 and following years.

2 The issues covered in the UK Consultation are much wider – raising questions such as longer and more flexible franchises, a greater focus on passenger benefits (measured as outcomes), the assessment of wider benefits (in relation to the economy, energy and greenhouse gas reduction) and greater involvement both of local government and of private finance. In contrast, the Transport Scotland consultation is confined to outlining options being considered from the end of the present ScotRail franchise – though there is the promise of further consultation on the details of any successor arrangements from late 2010 (the present franchise does not expire until 2014 but smooth organisation for the years before and after 2014 requires consideration now).

3 Key issues which require further explicit consideration are:-

- devising the **rail fare, fiscal and other transport pricing and regulatory policies** best suited to meeting economic and social objectives – including congestion relief, greenhouse gas reduction and major changes in energy sources and conservation to, and after, 2020

- the future role of Network Rail**

- responses within existing franchises** to ensure better value from existing levels of rail operational support and capital spending on rolling stock, track and signalling

- **How franchising or other arrangements can provide better fits with integrated policies** for transport, land use, energy and more effective use of existing

Transport Scotland, the national transport agency
Còmh dhail Alba, buidheann nàiseanta na còmh dhail

and added assets (the UK consultation stresses the high costs for both government and bidders of present franchise tendering arrangements which, in conjunction with lack of incentives for innovation and well-managed investment, have led to rail privatisation having higher costs than in the years of British Rail).

4 Forecasts of rail growth and share in total demand for movement despite criticism of under- forecasting of rail demand, the UK consultation fails to highlight the significant structural turning point reached in relation to rail and other modes of surface transport since the mid 1990s. Despite policies which had many disincentives to rail travel, passenger rail movement has risen by some 20% to 50% over the past decade while average miles per head travelled by car have fallen since 2005 and are expected by the UK Independent Committee on Climate Change to show further reduction by 2020. In relation to air and rail, there is now clear evidence of substantial rail growth on longer Anglo-Scottish trips in the past year while domestic air travel has fallen almost 9% (only partly influenced by cabin crew strikes and volcanic ash disruption). This provides strong justification for policies encouraging rail passenger growth, including shifts from car and air on longer trips plus rises in shorter-distance leisure and city region trips other than by car. Contrasting with stabilised or reduced road vehicles miles per head of population, the recently published draft Network Rail Route Utilisation Strategy for Scotland has stressed the need to provide for further growth in rail passenger use (and in freight) of between 35% and 100% on corridors within Scotland between now and 2025. Transport policies, modelling and appraisal need urgent revision in the light of these fundamental changes in the level and structure of movement.

The Association's Response: Issues affecting Britain

5 Rail Fares, Fiscal and other transport pricing and regulatory issues The Association recommends that rail fares and their integration with multi-modal ticketing, road /parking pricing and taxation should be a priority issue in the current reappraisal of rail franchises and infrastructure with initial changes applying from April 2011. The APPENDIX outlines cost-effective yet fair reforms.

6 Future of Network Rail The present situation of Network Rail appears unsustainable and unproductive. It has led to lengthy project delays, notably in relation to smaller schemes offering quick benefits, while also inflating total procurement and administrative costs. The Association supports the view in the UK consultation that there should be an increased ability for operators (and for local government) to directly commission smaller schemes and improve the integration of rail operations, signalling and track maintenance and renewals. Tom Winsor, the former Rail Regulator, and other commentators in the 6 October issue of *Rail* have already urged a review of Network Rail, including creation of a transparent organisation in Scotland.

7 Responses within existing franchises Several franchises still have some years to run and are enjoying extra government support due to falls in revenue. This has weakened incentives for changes within over-rigid franchises which can lead to under-used trains continuing to operate when there are good grounds for using rolling stock and staff where this could give greater overall benefits to passengers and to operators. Given expected spending cuts, priority should be given to reforming this situation, especially where changed timetables could also lower Network Rail costs as well as giving services better related to passenger needs and improving usage. Particular reforms in Scotland considered desirable and urgent are outlined in Paras 14 to 18.

8 How franchising or other arrangements can offer a better fit with other policies

The UK consultation has difficulty in outlining practical ways in which franchising could be improved e.g. long franchises may assist extra private investment but many risk factors remain and very long franchises could involve a loss of government ability to supervise or regulate given major change in circumstances. At worst, companies might enjoy super-profits while, at the other extreme, over-ambitious expansion plans could put companies in major financial difficulties threatening the quality of service to their main customer base. A minimum requirement should be the award franchises in the context of the fares and fiscal reforms proposed in Para 5 of this submission

together with a national statement on the rail role in transport and energy policy to 2021. Another risk is of ‘open access’ affecting franchise income. There is a need for direct treatment of this issue. The consultation mentions both a desire for greater reliance on private finance but also the need for PTE or local government involvement in franchise preparations. Most passenger travel, especially in and around cities, is local and regional rather than national. Such trips and their mode share are influenced by sub-national policies affecting land uses, regeneration and parking/ transport pricing policies. Many of the wider economic and social benefits of rail are regional, not national, and need to be taken into account in frameworks for passenger rail operation. Though devolution of many rail decisions already exists in London, Merseyside, Wales & Border and Scotland (with Northern Ireland having full rail devolution), the consultation sees potential for more progress in such matters.

9 The UK government consultation excludes comment on Scotland apart from **Anglo-Scottish franchises** (in which four operators are involved – Virgin, East Coast (presently state run), Arriva Cross-Country and Trans-Pennine – plus First ScotRail overnight services and day services reaching Carlisle via Dumfries). The Association is supportive of the view that longer franchises should be considered for such services but possibly restricted to two major operators and some expansion of ScotRail operations in England.

10 New franchises could incorporate greater participation in financing station/interchange enhancements, rolling stock, rail track and signalling maintenance and a range of minor to medium infrastructure improvements on routes where the franchise holder was the dominant operator. Some of these changes would require new legislation with ORR continuing to protect the interests of rail freight operators and subsidiary passenger operators. Greater investment by franchise-holders will depend on new arrangements for the calculation of the residual value of improvements when franchises expire or are terminated.

11 As indicated in the UK consultation, franchises would not normally be for more than 15 years but there could be examples, as in the case of high-speed rail and some urban schemes, where a longer grant of exclusive operating rights could

facilitate a larger involvement of public/private partnerships in major infrastructure improvements. The UK consultation proposes that **qualitative assessment**, geared to an improved passenger experience, should replace the present emphasis on driving up premium payments and driving down the level of support for franchises presently receiving public funds. This statement is hard to reconcile with the drive for early cuts in public spending while qualitative assessment of franchise bids could raise many practical difficulties.

12 The Association suggests an **alternative approach under which all rail passenger operators would have to deliver regulatory standards for safety and quality** – including cleanliness, punctuality and information provision – with a mix of penalties and extra payments for performance below and above specification i.e. these aspects of quality would be removed from the franchise framework and become matters for separate regulation. A second reform, mentioned in the UK consultation, would be to give indications, in advance of bids, of overall rail strategy and of the public funding likely to be available to support franchises (or the level of premium expected) and a specification of minimum service expectations. **In line with the Association's recommendation in Para 5, it is important that specifications should include maximum fares and technology allowing substantial extension of multi-modal fares.** Final franchise decisions could then be made on the extent to which bids exceeded minimum specifications – with the option for small extra payments on the promise of a higher quality seen as offering good value.

Scotland

13 **The** Transport Scotland consultation suffers from an inability to make clear Scottish Ministers' policy in relation to franchising. Options outlined include a normal invitation to bid for a successor ScotRail franchise (though with no indication of a preferred length), a short term franchise extension to 'facilitate re-mapping' and alternatives, in conditions of 'temporary uncertainty or instability' giving better value and including a company wholly owned by Scottish Ministers and which had not previously traded. The prospect of public spending constraints and political caution

in the run-up to the 2011 Scottish Parliament elections have affected the nature of this consultation but it is highly desirable that there should be a clear view of actual preferences and a revision of the further consultations promised to give a Scottish perspective on views in the UK consultation.

14 The Association's view is that the further consultation promised later this year should include:-

- How best to improve the existing First ScotRail franchise in the years to 2014 and a smooth transition from 2014
- A parallel review of Network Rail in Scotland (where there is urgency for an improved financial performance and a partial ploughback of savings into rail schemes offering early benefits)
- An urgent review of fare structures and technologies to facilitate multi-modal travel and modal shifts from cars along with common minimum standards for concession-holders.
- a review of public spending and regulatory policy to reduce overlapping support for competing services and to encourage the public benefits and costs savings of greater service and timetable co-ordination (including review of the National Transport Strategy and associated STPR in 2011)

15 With respect to internal performance, First ScotRail has achieved a high reputation – only slightly marred by some lapses in information provision and delays in agreements on the expansion of available rolling stock. Despite a continued rise in car ownership in Scotland and less severe road congestion than in England, ScotRail has shown an ability to increase rail patronage to such an extent that this has been a factor in moderating road congestion, stabilising car use across Scotland and reducing demand for major road projects. There are ScotRail weaknesses with respect to inter-change improvement and service co-ordination with buses and ferries (receiving far less attention than park and ride). P+R has definite merits but needs to take account of the substantial minority who do not have available cars and lack easy access to frequent rail services. These weaknesses reflect overall structural and policy defects rather than faults within ScotRail. They require correction with respect to Scottish Budget priorities to 2014, the scope for greater flexibility,

'transition planning' in the concluding years of the present franchise and re-evaluation of the role of Network Rail in Scotland. These are issues requiring as much attention as franchise details.

16 In this context, the Association favours urgent evaluation of three options:-

- 1) **ScotRail franchise extension to around 2020** agreed by late 2011 and including the transfer of station, track and signalling maintenance and lesser infrastructure works to ScotRail with other Network Rail duties merged in a major works procurement function for Transport Scotland
- 2) **Conversion of the ScotRail franchise to a company wholly owned by Scottish Ministers and also leasing track and signalling** with Transport Scotland having a 'major project' procurement role
- 3) **ScotRail franchise extension as in (1) but with a more restricted infrastructure role** focused on station and interchange improvements and minor works related to improved timetabling together with creation of a transparent **Network Rail Scotland as a Scottish Rail Infrastructure Company or Trust** having close links with Transport Scotland and reliant on a mix of grants and borrowing.

Decisions between these options are a matter of political choice after assessment of financial and quality of service implications.

17 Rather than cancelling the proposed 'refresh' of the **National Transport Strategy** and the **Scottish Strategic Transport Projects Review**, there should be a fundamental re-examination of the aims and funds available for STPR and of overall budgetary strategy for transport. This should be included in work on the Scottish Budget for 2011-12 and subsequent years and should incorporate a review of movement forecasts, modelling and appraisal as proposed in Para 4. The opportunity should also be taken to review the Calman recommendations and assess the value of a transfer of some transport taxation and pricing powers to the Scottish Parliament as well as powers for prudent borrowing related to assured streams of income. Though qualified borrowing powers are available to local government, it is anomalous that they are not available to the Scottish Government.

18 The Association sees these changes as essential for early and smooth delivery of a cost-effective programme for fares reform and rail service and track improvements in Scotland during the present decade. Political and budgetary support is sought for:-

- closer integration of rail, bus and ferry support to give improved interchanges and passenger quality while eliminating overlapping support, increasing capacity and ensuring firm orders for additional rolling stock
- revised EGIP phasing to improve connectivity, including Glasgow Crossrail connections
- Improvements in Greater Glasgow and from Edinburgh into Fife
- ensuring improved frequency (but with minimal infrastructure changes) between Inverness and both Perth and Aberdeen before 2014 and extension of half-hourly services north from Stirling to Perth and/or Dundee
- amending timetables and improving marketing to better reflect rail potential in tourism and leisure travel – especially on rural lines and with priority for extra Glasgow-Oban summer services and related ferry links
- a more radical reform of services south from Ayr to Girvan and Stranraer to reduce signalling costs and better meet Girvan and Galloway needs while also including integrated bus connections at Stranraer and with the revised ferry services due to operate only from Cairnryan later in 2011

19 With respect to the devolution and local government themes in the UK consultation, decisions in Scotland also require greater involvement of **Regional Transport Partnerships** in rail service specification and wider development of co-ordinated fares and services. The Association prefers the RTP approach to direct local authority involvement since many local authority areas, notably around Glasgow and Edinburgh, are too small to deliver regional strategies for modal shift. However, positive RTP involvement is likely to require increases in the direct funding available to RTPs, mainly financed through cuts in the Scottish Government's direct spend on transport. This would enable RTPs to develop stronger packages for regional improvements on baseline specifications for future rail services in Scotland. Such packages could include the extension of Bus Route Development Funding to corridor

and/or area packages for integrated bus/rail and tram improvement including multi-modal fares compatible with Scottish Government guidelines.

20 There is also a case for examination of the option of more than one franchise for internal Scottish rail services. The strongest case for such an approach may be in and around Glasgow where several rail corridors are entirely, or mainly, related to intra-conurbation travel. A separate franchise for such services, specified by SPT, could ensure closer links with land use strategy and complementary improvement of the Glasgow Subway and key urban bus corridors. A similar case may arise around Edinburgh but might be dealt with through the expansion of existing plans for tram/bus integration to include selected extensions over ScotRail lines and the planned Central Borders rail service. In most instances, the better way forward is likely to be greater involvement of RTPs in passenger rail service specification provided that significant, but ring-fenced, funding is transferred from the Scottish Government to RTPs.

APPENDIX: Suggested Fares and Fiscal/Pricing Reforms

The following reforms are recommended for evaluation and phased introduction from April 2011

1) a combination of local zone multi-modal flat fares with maximum distance related standard rail fares no higher than the marginal costs of lone occupant car use and parking (subject to government approval of higher peak fares as a short-term measure to avoid severe overcrowding and with proceeds earmarked for improvements)

2) specified concessions for family and group travel

3) Extensions of half fare nationwide concession travel by surface public transport to include rail but with the free bus travel concession restricted to local travel by any mode OR to half of standard flat fares for local travel

4) Use of 5% of the proceeds of aviation taxation and of road fuel taxation (with HGV rebates where appropriate) for fares reform, public transport improvements and active travel

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5) A change in the inflation+ basis of road fuel taxation to a commitment to raise fuel taxation above inflation if petrol/derv consumption fails to fall by 3% a year with proceeds used to accelerate energy conservation, shifts to alternative fuels and carbon capture& storage

6) A commitment to shift to differential road charging as a further means of reducing road congestion and replacing tax income lost through improved fossil-fuel efficiency and shifts to alternative fuel. These proposals are capable of increasing rail (and bus) usage and income while reducing rail costs per passenger mile and tonne mile. Costs of road congestion and unreliability would also fall. A net reduction in rail operational support is anticipated.