

Strategic Transport Forum

7th December 2018

Agenda Item 6: Rail Review

Recommendation: It is recommended that the Forum:

- a) **Welcome the Rail Review and note the Terms of Reference**
- b) **Agree to set out the key strategic issues for the Forum in a submission to the Rail Review (Annex 2)**
- c) **Note the work being taken forward that is of relevance to the Rail Review**

1. Context

- 1.1. Having signalled over the course of the summer its intention to undertake a review of the rail industry, on 11th October the Secretary of State for Transport formally launched his Rail Review.
- 1.2. The Terms of Reference for the review are reproduced in Annex 1. It is the intention that the review will report in autumn 2019.
- 1.3. It is important for the Forum to note that it is not the intention for the review to re-open investment decisions already made.
- 1.4. Notwithstanding this point the scope of the Terms of Reference are quite broad. One point on which there is a need for clarity – either from the Government or the review team – is what is meant by being ‘financially sustainable and able to address long-term cost pressures’.
- 1.5. Across the Heartland the ambition is to realise its economic potential but to do so in a way that results in net betterment. As noted elsewhere on the agenda for this meeting, this is not ‘business as usual’: it will require additional investment in infrastructure and services in order to support the delivery of planned growth. It will also require that investment to result in an integrated transport system, one that supports the ambition to be zero-carbon by 2050.
- 1.6. Such an ambition will require investment to achieve modal shift. Hence if the Terms of Reference are taken as suggesting that the level of funding for the rail sector is to remain at current levels this is likely to act as a drag on the region’s ability to realise the strategic ambition identified by the National Infrastructure Commission and which has subsequently been supported by the Government.

1.7. The timescale associated with the Review is therefore particularly important offering as it does the opportunity for its conclusions to inform next year's Spending Review.

2. Initial Submission to the Rail Review

2.1. It is important that this Forum as the Sub-national Transport Body for the region responds to the announcement by the Secretary of State.

2.2. A draft submission to the Rail Review is included as Annex 2 for consideration by this Forum.

2.3. It is particularly disappointing – given the key role that the rail network will have to play in delivering the ambition for the Heartland – that there is no geographical representation for the region on the review team itself. This disappointment is heightened by the inclusion of representatives from other regions.

2.4. The submission therefore calls for the Review team to explicitly include within its membership a representative from the Heartland region.

3. Developing the Substantive Submission

3.1. It is important that the Forum develops a more comprehensive submission to the Review team, one that builds on the work underway as part of the overarching Transport Strategy.

3.2. In addition this Forum has previously identified the need to review whether the current rail franchising map is fit for purpose if it is to support the strategic ambition for the region. In particular the Forum has highlighted the inconsistency between the need to improve east-west connectivity in a world in which the franchising map remains heavily dominated by radial nature of the historic rail corridors.

3.3. As set out elsewhere on the agenda of this meeting, whilst the delivery of East-West Rail project represents a step-change in east-west connectivity, it is just as much about how that infrastructure is used, in particular the ability to use the intersection of East-West Rail with the historic rail corridors to create new travel opportunities.

3.4. As the Heartland's experience with the recent East Midlands franchise process demonstrates, the continued dominance of services focused on traditional markets will have unintended consequences: the loss of services supporting the Heartland economy (which included links from the Heartland into the Midlands) is at variance with the Government's overarching ambition to realise the region's economic potential.

- 3.5. Although the process for the Cross Country franchise has been suspended, this was another example of how the current franchise map potentially acts as a constraint to ensuring that the rail network supports the delivery of planned growth. Of particular concern was the challenge of developing less well supported rail corridors (such as the Cambridge – East Midlands corridor) that potentially offer opportunities to grow the market for rail.
- 3.6. In addition to the work planned to look at the franchising map, a substantive submission to the Review team will need to make reference to the work being led by England's Economic Heartland to establish a geographically specific National Policy Statement for strategic infrastructure.
- 3.7. The benefits of the NPS for the rail network would be the extent to which it enables 'the need' for investment to be established and the strict timescales associated with securing permissions through the use of Development Consent Orders.
- 3.8. The region's Political and Business leadership is seized by the need to inject pace into the delivery of infrastructure in support of planned growth. The establishment of an NPS for the region would be a significant contributor to achieving that objective.
- 3.9. The EEH Business Unit will look to work with partners across the Heartland in the development of the substantive submission, which will be brought back to this Forum before summer 2019.

Martin Tugwell
Programme Director

November 2018

Annex 1

Rail Review: Terms of reference

(as published by the Secretary of State for Transport)

Purpose

The government's vision is for the UK to have a world-class railway, working as part of the wider transport network and delivering new opportunities across the nation. The Rail Review has been established to recommend the most appropriate organisational and commercial frameworks to deliver the government's vision. It should be comprehensive in its scope and bold in its thinking, challenging received wisdom and looking to innovate.

The Review will be independently chaired. Its recommendations should support delivery of:

- commercial models for the provision of rail services that prioritise the interests of passengers and taxpayers
- rail industry structures that promote clear accountability and effective joint-working for both passengers and the freight sector
- a system that is financially sustainable and able to address long-term cost pressures
- a railway that is able to offer good value fares for passengers, while keeping costs down for taxpayers
- improved industrial relations, to reduce disruption and improve reliability for passengers
- a rail sector with the agility to respond to future challenges and opportunities

The Review's remit does not include the infrastructure and services that should be provided by the railway. It will therefore not reconsider public investment decisions made through existing franchise agreements, Control Period 6 commitments, High Speed 2 and other major projects, or spending decisions that will be made through Spending Review 2019.

The government is investing record levels in the railways. Recommendations should avoid negative impacts on the public sector balance sheet and / or creating additional government expenditure beyond reasonable transition costs. The Review's conclusions will be reached in the context of the Department for Transport's settlement at Spending Review 2019.

Structure and process

The Review should develop a comprehensive and relevant evidence base to inform its findings. This should reflect analysis of the UK's rail sector, the direction set by the

Department for Transport's [Strategic Vision for Rail](#) published in November 2017, evidence from previous reviews of elements of the rail sector, and experiences in other countries.

The Review should also consider lessons from recent developments, such as the establishment of London North Eastern Railway as the [Operator of Last Resort of the East Coast Franchise](#), and [Professor Stephen Glaister's inquiry into the May 2018 timetabling change](#).

The Review team must effectively identify passenger, workforce and community priorities and concerns, including accessibility and the needs of freight and industry. It should consider how to improve transport services across UK regions and devolved nations, including exploring options for devolution of rail powers. It should engage with key stakeholders including industry bodies, national and local government, Parliament, and, where appropriate, the devolved governments of Scotland and Wales. It should have a structured approach to engagement.

The Review's recommendations must be practical and deliverable. It should ensure improvements for passengers are prioritised as soon as possible, while recognising the challenges of delivering significant change within current legal and regulatory frameworks. It should consider how to reform the sector over the short, medium and longer term, and how legislative and regulatory change might support necessary reform.

Governance

The Review will report to the Secretary of State for Transport. The Secretary of State will keep Cabinet colleagues regularly updated on the Review's progress.

The Secretary of State has appointed Keith Williams as independent Chair of the Review, leading the Review team's work on his behalf. The Chair will direct the work through a new, dedicated team within government. The Chair will have close oversight of the work to ensure that it meets these terms of reference, and to ensure effective engagement.

Keith Williams will also chair an Expert Challenge Panel, who will support him in testing the Review's analysis and recommendations, and provide fresh perspective and advice.

Outputs

The Review may publish interim reports during the period of its work.

The Review's final report will be a government White Paper, which will be published in autumn 2019. It will set out the government's intentions for reform of the rail sector. This White Paper is also expected to reflect ongoing improvements the government is making to passenger experience during the course of the Review.

Expert Challenge Panel members

The Rail Review's Expert Challenge Panel will support the independent Chair of the Review, Keith Williams. Its members will help to ensure the Review thinks bravely and creatively, and that its recommendations can deliver the stability and improvements that rail passengers deserve.

The Secretary of State for Transport has invited the following individuals to be members of the Expert Challenge Panel:

- Dick Fearn, Independent Chair of Network Rail's Western Route Supervisory Board and former Chief Executive Officer of Irish Rail
- Tom Harris, former Transport Minister and Member of Parliament for Glasgow South
- Margaret Llewellyn OBE, Chair of Network Rail's Wales Route Supervisory Board and a non-executive director of the Development Bank of Wales, who has experience in the freight industry
- Roger Marsh OBE, Chair of the Leeds City Region Enterprise Partnership and of the NP11 Board, and a leading advocate for the North of England
- Dr Alice Maynard CBE, Transport for London board member and the former Chair of Scope, the disability equality charity, who has experience of passenger issues in the rail industry
- Tony Poulter, non-executive board member at the Department for Transport and Chair of the East Coast Partnership

Rail Review

Draft Submission from the Strategic Transport Forum

England's Economic Heartland Strategic Transport Forum welcomes the announcement of the Rail Review. The Forum is the Sub-national Transport Body for the Heartland region: identified by Government as a national priority in terms of the ambition to realise its economic potential in a way that achieves net betterment.

It is absolutely critical that in focusing on the rail industry the review does not become too inwardly focused. The rail industry is a vital component of the wide transport system, a system that needs to be developed in support of the delivery of planned growth. It is therefore essential that in forming its views on the future of the rail industry the Review begins by working with key strategic partners external to the industry - such as the Sub-national Transport Bodies – to better define the role of the rail industry within that wider transport system.

The review must most definitely not become simply a question of reviewing structures within the rail industry.

Whilst it is undoubtedly true that the current system has resulted in significant investment in new rolling stock and that there continues to be considerable investment made in rail infrastructure, the existence of flaws in the system manifests itself in a number of ways:

- i. The critical role of the rail system in enabling the delivery of planned growth is not properly reflected in developing the specification for passenger services.

The Government has indicated it is supportive of the ambition (identified by the National Infrastructure Commission) of doubling, if not tripling, the economy across the Heartland and of doing so in a way that delivers 'net betterment' to the region.

Achieving this ambition is not 'business as usual'. Notwithstanding the rise of the digital economy, growth on the scale identified by the National Infrastructure Commission is transformational and will require investment in additional transport infrastructure and services.

In this context, the rail system – both passenger and freight services – must play an even greater role in enabling the delivery of planned growth. It must do so as part of a truly integrated and co-ordinated approach to investment in our transport infrastructure and the services that use them.

We should look to invest in rail infrastructure and services as a means of connecting people and places with opportunities and services. We should look to invest in new rail infrastructure and services linked with planned growth ahead of need as a means of enabling more sustainable travel patterns to be possible right from the start.

Our approach to investing across the transport system must avoid situations where investment designed to achieve more sustainable travel patterns is then undermined by investment in other parts of that system. In particular investment in strategic rail schemes (such as East West Rail) should not inadvertently be undermined by parallel investment in strategic highway schemes (such as the proposed 'expressway').

Our focus for the transport system must be to provide the user (both as individuals and as businesses) with reliable and affordable choices from a transport system – the rail industry must be viewed as an integral part of that system, not a discrete entity in its own right.

Our approach should be driven by the need to focus on delivering this as an outcome. We must reassess whether the current distinction between capital and revenue investment inadvertently acts against the need on providing infrastructure and services that meet the user need.

- ii. Our approach to the long-term planning and development of our rail network must evolve quickly in order to better address the need for it to support the changing spatial geography of England's Economic Heartland.

It is an indisputable fact that our current approach to long-term planning and development continues to be dominated by an over-emphasis on routes and services that spin out radially from London. Any proposal for devolution of the rail industry based on the historic network of radial routes and services runs the severe risk of perpetuating this focus thereby running counter to broader Government ambitions for a rebalancing of the economy nationally.

Moreover it also runs the severe risk of undermining broader ambitions for regions such as England's Economic Heartland.

The National Infrastructure Commission's report into the Oxford – Milton Keynes – Cambridge corridor highlighted the once-in-a-generation opportunity to use the delivery of an east-west multi-modal spine (of which the delivery of East West Rail is an integral part) to achieve a step change in connectivity. The Commission went on to set out how improved connectivity across the region was essential to it realising its economic potential.

It is important to recognise that East West Rail is not just about improving east-west connectivity: it is integral to improving connectivity in the round. The intersection of East West Rail with the historic main-lines centred on London provides a unique opportunity to provide new travel opportunities that are not only more relevant to residents and businesses across the region but which avoid the inconvenience of having to travel into/out of London. In truth the constraints inherent with the latter are such that it is often not an attractive alternative to the car.

Another example of how the radial nature of our rail network serves to taint our approach to the planning and development of its long-term future is the case of the Croxley Rail Link. In this instance the extension has been seen through the Whitehall lens of it being an extension of the London Underground system, whereas it also has the potential to create new opportunities for orbital movement linking Hertfordshire with Buckinghamshire and beyond. If seen through the lens of the need to reduce pressure on the M25, the potential of such a link warrants further consideration as a matter of some priority.

All of this serves to emphasise the critical importance of having a genuinely long-term approach to the planning and development of the rail system – but only if it is part of a wider approach that is itself strategic in approach. One that links investment in the rail system with investment in other forms of connectivity (both physical and digital), and which links investment in the transport system as a whole with consideration of economic growth, which in turn is linked with planning for communities.

Experience shows that notwithstanding the good intent, it is not possible to achieve such a 'joined up' approach within Whitehall. It requires a strategic approach at the regional level: the kind of approach for which the Sub-national Transport Bodies have been established.

- iii. Our approach also needs to quickly evolve to integrate planning for rail freight, not just as part of planning within the rail industry but more broadly as part of the wider transport system.

In taking forward the work on the overarching Transport Strategy one of the first pieces of technical work commissioned has been a Freight and Logistics Study. The rationale here was quite simple: given the primary focus for the Heartland is realising the economic potential of the region, then understanding the future requirements of the business community when it comes to freight and logistics is absolutely critical. As an aside it is perhaps worth recalling that the original driver for investment in railways was the transportation of freight.

At a strategic level the London Mayor's Transport Strategy sets out his ambition to remove long-distance through freight movements from the Gospel Oak to Barking line: the argument being that this will free up space for additional passenger services.

In supporting the London Mayor's Strategy this Forum emphasised the need to work together in ensuring that an alternative strategic route is available to accommodate the displaced freight movement.

The East West Rail corridor is a potential alternative and this Forum has signalled its desire to work with partners to ensure that it has both the capability and the capacity to undertake that role.

At the moment the proposals being developed by the East West Railway Company on behalf of the Secretary of State only provide for the capability (in terms of avoiding weight restrictions) and current capacity requirements along the corridor. Additional investment in capacity would be required in order to accommodate diverted freight movements from the Gospel Oak to Barking route.

The challenge at the moment is that the rail industry views investment in freight capacity as being driven by market forces. However, in this instance the ambition to redirect freight movements is driven by public sector policy choices.

It is entirely appropriate for the public sector to set the framework within which the rail industry is developed but in doing so it must also accept that a consequence of such an intervention may be the need for the public sector to make the investment on the basis of the wider public good derived from it.

- iv. There is a need – through the review – to address barriers that currently exist which potentially act against the public interest.

As noted elsewhere, realising the economic potential of the Heartland whilst at the same time achieving 'net betterment', is not 'business as usual'. Our approach to the planning and development of the rail network must be as part of a truly integrated transport system.

Increasing the attractiveness of public transport will continue to be a key driver of any future planning. There is compelling evidence that shows that convenience and seamless interchange are two of the key concerns for users. Failure to address weaknesses with either of these drivers reduces the attractiveness of alternatives to the private car.

The Review should therefore examine the extent to which the fact that competition laws prevent a bidder for a rail franchise from explicitly using their ability to run local bus services to develop an integrated offer to the public.

Whilst it is appreciated that the current position in this respect is driven by the need to avoid encouraging monopoly positions, in an environment where the strategic policy driver is to encourage greater use of public transport there is a need to review whether it in fact inadvertently acts to suppress use of public transport.

It is acknowledged that provisions within the Bus Services Act provide local authorities with the mechanisms for encouraging integration of bus and rail services, the Review should explore whether changes in the current competition laws might be a more effective mechanism, one that might unlock further innovation amongst public transport operators to the benefit of the user.

- v. The Review should look to use the establishment of the Sub-national Transport Bodies as an opportunity to engage with local partners in a strategic conversation on the future of the rail industry.

Government has encouraged the establishment of Sub-national Transport Bodies on the basis that they are an effective forum for engagement on strategic transport issues. We would encourage the Review team to build on the momentum achieved by the Sub-national Transport Bodies and work closely within them – both individually and collectively.

England's Economic Heartland Strategic Transport Forum is keen to work closely with the Rail Review team as it moves forward with its work.

The Government has identified realising the economic potential of the Heartland as being a national priority. An effective and efficient rail network, as part of an integrated transport system is essential if that Government's ambition is to be realised at the pace it seeks.

We look forward to working with the Review team over the coming months.