

Association of Rail North Partner Authorities

Meeting date: Thursday, 09 June 2016

Item: 5

Subject: Rail North Update

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1. Purpose of report

- 1.1. This paper updates the Rail North Association on key issues since the last meeting.

2. Recommendations

- 2.1. The Association is recommended to note the contents of this report.

3. Information

Franchise Mobilisation

- 3.1. The new Northern and TPE franchises mobilised on time for start up on 1 April 2016. Arriva was issued with its Certificate of Commencement on 30 March and First was issued with its certificate on 31 March. This was a highly complex mobilisation process involving route remapping as well as the normal complex Conditions Precedent process. Both DfT and Rail North Partnership (RNP) teams excelled themselves in delivering this complex mobilisation process on time.
- 3.2. First launched its new TransPennine Express brand on 30 April at an event in Manchester. It also announced its first tranche of new bi-mode intercity trains to operate on the Liverpool-Manchester-Leeds-Newcastle-Edinburgh routes. These are Hitachi AT300 5 car 125mph trains. On 23 May First announced its remaining new rolling stock orders for 12 five-carriage Civity UK InterCity electric trains financed and 13 sets of five-car InterCity carriages, both manufactured by CAF.
- 3.3. Both First and Arriva have named and appointed named their new management team for TPE and Northern. TPE has retained most directors from the previous franchise with a New MD (Leo Goodwin), a new Service Planning Director and new Strategy Director. Northern's new executive team is a mix of new and incumbent directors. Four Regional Directors have been appointed and it is expected that Northern will introduce its devolved management structure simultaneously across the franchise within three months of start date.
- 3.4. The Competition and Markets Authority (CMA) process for Arriva is ongoing. CMA has announced a Stage 2 investigation in relation to bus-rail and rail-rail competition. However this is not prevented Arriva operating the new Northern franchise pending the outcome of the investigation and determination of undertakings. Rail North and DfT are monitoring developments closely with Arriva.

Commercial Management Transition from DfT

- 3.5. The Commercial Management handover to RNP has been completed. IT hardware now being provided to the Management Team, to enable full access to DfT commercial management systems. RNP Director now attends DfT Markets Board representing Rail North interests in DfT decision making. RNP Management Team is now part of DfT reporting cycles.
- 3.6. The Working Agreement between DfT, Rail North and WYCA has been agreed and enacted. Delegated commercial management processes agreed by Partnership Board and implemented. However RNP has no delegated authority for financial changes or enforcement. Interim arrangements in place with DfT providing additional support, with escalation to and oversight from Eddie Muraszko (Partnership Board Member from DfT).
- 3.7. Monthly statutory franchise meetings have commenced with both TOCs, focused on performance and financial reporting, trends analysis and forecasting, having undertaken a prior analysis of comprehensive franchise reporting requirements. The meetings will also focus on a forward-look to the delivery of franchise plans and committed obligations, identifying any new risks and mitigation measures to ensure committed franchise and customer outcomes.
- 3.8. The Management Team have agreed a number of derogation requests on non-financial committed obligations around Day 1 and early weeks commitments.

Resources

- 3.9. Commercial Management Team all in place with 2 Commercial Managers and 2 Contract Managers appointed. Head of Investment Planning in situ. Recruitment underway for new Franchise Change Manager to oversee major changes to franchise obligations arising from infrastructure changes, Transpennine Route Upgrade programme and Rail North devolved fares policy.

Interface with Rail North Member Authorities

- 3.10. A further meeting has been held with NECA to progress the North East Rail Management Unit (NERMU) and agree scope and responsibilities. A joint meeting with Arriva is being planned to progress discussions on how NERMA will interface with the new Northern North East Franchise Business Unit.
- 3.11. On-going discussions are being held with member authorities to improve understanding and joint working arrangements.
- 3.12. The RNP Director continues to attend Rail North Officer Steering Groups to ensure that there is close alignment between Rail North and RNP activities.

Rolling Stock Changes for July 2016

- 3.13. On 1 April 2016, some TPE services remapped to the Northern franchise. This required TPE to sub-lease 5 Class 185 trains to Northern. The bids for both TPE and Northern had this as a bid assumption. However, as the result of the transfer of the

remaining 4 Class 170 trains from TPE to Chiltern, this would have resulted in a shortfall of units for TPE to operate its own services.

- 3.14. TransPennine Express's 4x Class 170s have now been secured until July 2016. Arriva and First developed a joint proposal to the Department on how they propose to resource the period July 2016 – December 2017. This is an industry led solution guided by a number of agreed core objectives that include ensuring the best possible service coverage, minimising passenger disruption and delivering a cost effective use of taxpayer money.
- 3.15. This has now been contracted through amendments to both Franchise Agreements. An overall uplift in peak capacity will be provided as a result of the changes. Full details will be provided by both Northern and Arriva in the coming weeks.
- 3.16. Northern are preparing a communications plan for the changes and will work closely with Rail North and DfT to ensure that customers and key stakeholders are aware of the changes.

TfN SMART Ticketing Interface

- 3.17. RNP and RNL continue to work closely with TfN and Arriva to develop a fares specification as a starting point in developing fares simplification to support TfN's SMART ticketing ambitions. Arriva has fully engaged in the process and is providing insight into its franchise fares assumptions and simplification plans. Meetings have been held between TfN and both franchisees to establish working relationships.

Infrastructure and Investment Interfaces

- 3.18. The RNP Head of Investment Planning has been working closely with DfT to re-specify the client requirements for Transpennine Route Upgrade (TRU) programme. A new specification has been developed, reflecting the new franchises including service patterns and rolling stock as the new base case. The interests of the franchisees in terms of impacts and commercial issues are being embedded into the revised specification.
- 3.19. The North of England Programme Board was held on 20 April, where the Rail North/DfT revised client requirements were presented. Network Rail is considering the impacts on the timescales for GRIP 3 and will be engaged in further discussions on how this revised client brief can be implemented.
- 3.20. The Northern commercial team is working closely with DfT on Northern and TPE's extensive platform extension programme, to accommodate proposed longer trains on both franchises.
- 3.21. The RNP Director now sits on Leeds Station Board, representing RNP/RNL and DfT interests in the proposed development of Leeds Station.
- 3.22. The RNP Director now attends the industry Innovation Board representing DfT and Rail North interests. This Board oversees and approves all franchise innovation obligations and expenditure for Virgin East Coast, Northern and TPE franchises. The initial meetings have been very positive with a recognition that the investment-led

new franchises and Rail North involvement offer a significant opportunity for cross-TOC collaboration on innovation investment and delivery.

- 3.23. The Head of Investment Planning continues to attend a number of industry working groups/boards on future infrastructure/strategic planning issues representing both RNP and RNL interests. He also represents RNP/RNL on TRU Programme Delivery Groups.

Rail North Partnership Board Independent Chair

- 3.24. The Partnership Agreement prescribes that the Strategic Board (overseeing the Management Team) should appoint an Independent Chair.
- 3.25. Bill Reeve, Commercial Director at Transport Scotland has been appointed to the position of Independent Chair of the Rail North Partnership Strategic Board. Bill's appointment was made following an open recruitment exercise and will be through a secondment agreement with Transport Scotland. Bill brings a wealth of experience of developing the strategy, skills and capacity to procure and deliver fully-devolved rail franchises.

Stakeholder and Communications Work

- 3.26. Rail North has successfully led and delivered the following stakeholder and communications work, working closely with the two train operators (First and Arriva):
- A programme of Business and Community Stakeholder events
 - Magazine supplements in the two leading rail industry publications (RAIL and Modern Railways)
 - A programme of Northern-based breakfast club events with the two publications above
 - A successful launch day event at Manchester Piccadilly Station (with Transport Minister Andrew Jones).
- 3.27. Rail North is organising a stakeholder event for the InterCity West Coast consultation. This will be held in Manchester on 21 June and it is planned to arrange similar events for other franchises with an impact on the Rail North area.
- 3.28. A further programme of stakeholder work is being developed for the remainder of 2016/17, but it is the intention to continue the successful joint work with the train operators.

Community Rail Update

- 3.29. Community Rail has played a significant role in developing regional lines across the North of England. The Rail North Long Term Rail Strategy supports the development of Community Rail:

There is opportunity to develop the Community Rail concept where established Partnerships already exist and there are opportunities to extend it to lines which currently do not benefit from Partnerships. The Partnership approach can be integral to the development and regeneration of stations, but is, of course, not limited to this.

Across the North Partnerships' activities have played a central role in supporting growth in rail travel and the number of rail services.

- 3.30. There is a process of formerly designating lines as either a community rail line and / or services. Line designation is intended to take the route out of the scope of the EU inter-operability regulations which should make it easier to adopt more appropriate maintenance standards and practices. Designation is a formal process which results in an agreed 'Route Prospectus' for the line which is ultimately signed off at Ministerial level.
- 3.31. Within the area covered by Rail North there are 19 Community Rail Partnerships, some covering more than one line, of which 15 lines have been formally designated. All of these CRPs are fully covered by the ARN franchise.
- 3.32. As part of the development of the new franchises, the DfT in association with Rail North and ACoRP looked at what could be done to provide improved security of core funding for CRPs. Both TransPennine Express and Northern are supporting Community Rail in their new franchises, but the main provisions are within the Northern franchise and the initiatives include:
- A sum of £500k (index linked) per annum contribution towards the core funding of the 19 north of England CRPs. This sum is for the full length of the franchise and allocations are currently being made to each CRP.
 - Funding for additional Community Rail activities including:
 - Supporting ACoRP for the employment of additional resources.
 - Creating a Station Adoption Fund
 - Creating a Seed Corn fund; and
 - Funding for Community Rail Lancashire for the expansion of its school engagement programme across the Northern franchise.
 - Establishing 'ComREG' - the Community Rail Executive Group - a body that will advise and oversee Northern's community rail engagement. In particular, ComREG will be involved in the decision making process leading to the allocation of the community rail funding.
 - Station Partnerships/Friends of Stations - Northern will also be providing support to station partnerships/friends of station groups. It is anticipated that a majority of ARN stations will have a station friends group and to support these groups a fund has been established which they will be able to bid into
- 3.33. Further updates on community rail activities will be provided at future meetings.