

Rail North Committee Meeting – Item 5.0

Subject: Industry Consultations

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Meeting Date: Thursday 23 August 2018

1. Executive Summary:

- 1.1 This report sets out draft responses to two industry consultations on fares and ticketing regulation (Rail Delivery Group) and the specification for the next Cross Country Franchise (Department for Transport).

2. Recommendation

- 2.1 That the Committee considers and **agrees** the draft consultation responses to the Rail Delivery Group (fares consultation) and Department for Transport (Cross Country Franchise).
- 2.2 That officers are asked to finalise responses and submit by the due deadlines.

3. Draft Consultation responses:

- 3.1 There are two industry consultations that Transport for the North is being invited to respond to as set out below.
- 3.2 Britain's rail companies (through the Rail Delivery Group), together with Transport Focus, have launched a national consultation to seek 'root and branch reform' of fares and ticketing regulation. The 'Easier Fares Consultation' has a deadline 10 September 2018.
- 3.3 The consultation is available online at:
<https://www.britainrunsonrail.co.uk/fares>
- 3.4 The Department for Transport is running a consultation on the next Cross Country franchise (due to commence in 2019) with a deadline of 30 August 2018. Further details of the consultation are available at:
<https://www.gov.uk/government/consultations/cross-country-rail-franchise>

- 3.5 Transport for the North does not have a formal role in the management of the Cross Country franchise (the Rail North Partnership covers the Northern and TransPennine Express franchises only), but has the right be consulted over the grant of a rail franchise agreement for passenger services within, to and from the TfN Area.
- 3.6 Draft responses are attached for consideration. These will be revised following input from the Committee.

4. Options Considered:

- 4.1 The report includes draft responses and members have the option to amend the responses before submission.
- 4.2 There is an option not to submit consultation responses.

5. Considerations:

- 5.1 The consideration is whether to submit responses and the form they take.

6. Preferred Option:

- 6.1 The preferred option is to submit responses as set out in the report.

7. Appendices:

- 7.1 Appendix 1: Draft response to RDG fares consultation.
- 7.2 Appendix 2: Draft response to Cross Country consultation.

Appendix 1: Draft response to RDG fares consultation.

Transport for the North (TfN) is England's first Sub-national Transport Body. Formed as a Partnership of the North's nineteen Local Transport Authorities and business leaders, and the key delivery agencies Network Rail, HS2 Ltd, and Highways England.

This letter constitutes TfN's response to the RDG's Easier Fares Consultation. We have chosen to respond via letter as we wish to address broader, more strategic issues than those covered by the online questionnaire. Please note that TfN's partner Local Transport Authorities may choose to respond separately to the consultation.

Rail fares are a critical aspect of the overall passenger 'offer' and are a key driver of how passengers perceive value for money. The structure of the fares system, the products offered and the methods of retail should be closely aligned to passenger needs and expectations. Fare levels should reflect the affordability constraints facing large sections of the community.

If this can be achieved, greater passenger satisfaction could be expected and the attractiveness of travel by rail relative to private car would improve. If delivered alongside wider improvements to the network, this would help to support sustainable economic growth, social participation and improved quality of life. We recognise the underlying challenge of maintaining the financial and commercial sustainability of the railway, and the need to provide operating companies with the freedoms required to manage their business and risk. Finding the optimum balance between these objectives should be a key consideration when exploring changes to the fares structure.

TfN's vision, as set out in our draft Strategic Transport Plan¹ (STP), is of a thriving North of England, where modern transport connections drive economic growth and support an excellent quality of life. The draft STP outlines how transport connections across the North of England need to be transformed over the short, medium and long term to drive sustainable economic growth over the coming decades.

Our draft Long Term Rail Strategy 2 (LTRS) is a key component of the STP, and describes how the North of England's rail network should be transformed to address the series of challenges it currently faces – and to capitalise on the opportunities afforded by committed and proposed investment in HS2 and Northern Powerhouse Rail respectively.

The draft LTRS serves to highlight the complexities and inconsistencies within the current rail fares structure, that products have largely failed to respond to

¹ https://transportfornorth.com/wp-content/uploads/TfN-Strategic-Plan_draft_lr.pdf

² https://transportfornorth.com/wp-content/uploads/Long-Term-Rail-Strategy_TfN.pdf

evolving working practices and that retailing methods have not fully utilised emerging technology.

The draft LTRS calls for a long-term fares strategy to be put in place for the North of England, setting out the short, medium and long-term initiatives needed to deliver an intuitive, accessible fares structure which is fit for purpose for the needs of both the current economy, and that of a transformed 'Northern Powerhouse' economy where TfN's vision has been realised.

In parallel, TfN are investing in an Integrated Smart Ticketing programme. Delivered across three 'tranches', the programme will deliver account-based smart travel within each of the North's City Regions, providing passengers with confidence that the amount they pay will be reflective of their individual consumption, and providing the basis for improved multi-modal travel opportunities. Our fares strategy will consider how best value could be secured from this investment.

We welcome the RDG's recognition of the challenges presented by the current rail fares structure and the barriers it presents to passengers when attempting to secure value for money. We believe that there is clear alignment between a number of the options set out in the consultation document and those being considered by TfN. Whilst this is encouraging, it is vital that we liaise regularly to ensure a complimentary approach across our respective programmes of work. Implementing change will be a long-term process requiring close collaboration across the industry and across TfN's partner authorities. As RDG will be aware, TfN are currently managing the Northern and TransPennine Express franchises in partnership with DfT, via the Rail North Partnership.

The Partnership Agreement, which underpins this relationship, grants TfN certain devolved powers in relation to fares (subject to funding). It also provides TfN with greater freedom to explore initiatives and trials, provided that the operating companies are held neutral to the commercial impact. We would welcome further dialogue on how these current opportunities could be utilised to progress toward a more effective fares system.

However, TfN would seek that the current regulatory system should not be seen as a constraint when considering the future direction of fares policy or the implementation of fares strategy by operators to meet their business objectives. We believe the focus of this exercise should be on defining the best overall outcomes for passengers, the wider industry and the UK economy, and that the regulatory framework should be able to evolve as required in order to deliver them. This may include the further devolution of powers as required to achieve regional objectives.

We trust that this response provides a useful outline of our strategic approach and current programme of work on this issue. We welcome the aims of the consultation and look forward to working closely with RDG as work progresses. Should you require any further information, please do not hesitate to contact me.

Appendix 2: Draft response to Cross Country consultation.

Draft Covering Note (the draft consultation document is included as a separate attachment)

Reflecting TfN's statutory status we have suggested further detailed input to the design of this franchise will be required, in particularly due to the interaction with services in franchises jointly managed through the Rail North Partnership

In response to the DfT's consultation questions the Long Term Rail Strategy is used to evidence the North's requirements in particular for enhanced Capacity and Connectivity to be delivered by the next Cross Country franchise. It is expected and encouraged that more detailed local evidence and priorities will be submitted to the DfT in responses from individual authorities.

DfT have included questions regarding the franchise serving additional routes beyond the current Cross Country network, and the acceptability of redeployment of Cross Country resources if required to accommodate other service enhancements on the East Coast mainline. TfN is seeking further detailed input to the design of this franchise in particularly due to the interaction with services in franchises jointly managed through the Rail North Partnership. As a statutory partner TfN should expect to assist the DfT to analyse options for train service requirements in the North of England. This will present choices between maintaining the existing pattern of connectivity and capacity, or making trade-offs including enhancements to other services and serving additional routes and stations. These choices will have implications for TPE and Northern franchises, including availability of network capacity for service enhancements, reliability, cost effectiveness and financial performance.

Where applicable, responses have been made to the questions in the consultation document.

List of Background Documents

Rail Delivery Group Consultation:

<https://www.britainrunsonrail.co.uk/fares>

The Department for Transport consultation on the next Cross Country franchise:

<https://www.gov.uk/government/consultations/cross-country-rail-franchise>

Required Considerations

Equalities:

Age		No
Disability		No
Gender Reassignment		No
Pregnancy and Maternity		No
Race		No
Religion or Belief		No
Sex		No
Sexual Orientation		No

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact Assessment has not been carried out because the report relates to the upcoming work programme.	Strategic Rail Director	Strategic Rail Director

Environment and Sustainability

	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment	A full Impact Assessment has not been carried out because the report relates to consultation documents	Strategic Rail Director	Strategic Rail Director

Legal

	No
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Consideration	Comment	Responsible Officer	Director
Legal	TfN Legal Team have confirmed there are no legal implications.	Strategic Rail Director	Strategic Rail Director

Finance

	No
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Consideration	Comment	Responsible Officer	Director
Finance	There are no financial implications as a result of this report.	Strategic Rail Director	Strategic Rail Director

Resource

	No
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Consideration	Comment	Responsible Officer	Director
Resource	There are no resource implications.	Strategic Rail Director	Strategic Rail Director

Risk

	No
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Consideration	Comment	Responsible Officer	Director
Risk	Not applicable as the report relates to a consultation	Strategic Rail Director	Strategic Rail Director

Consultation

Yes	
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Consideration	Comment	Responsible Officer	Director
Consultation	Rail North member authorities have been consulted through their lead rail officers.	Strategic Rail Director	Strategic Rail Director