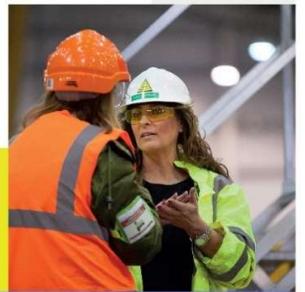
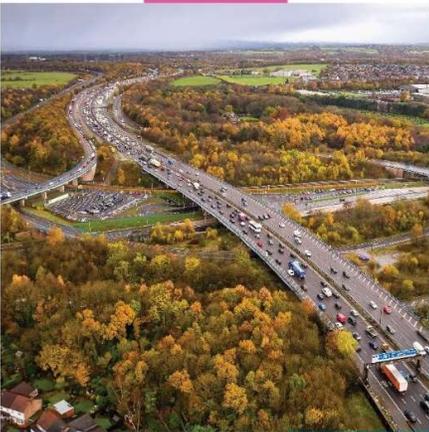


# Submission to the Williams Rail Review call for evidence



## Executive Summary

Transport for the North (TfN) view The Williams Rail Review as a once-in-a-generation opportunity to address the fundamental issues that affect our railways. These much-publicised issues are a result of structural failings at a national level but have been felt nowhere more acutely than in the North of England, culminating in the chaos seen during and after the May 2018 timetable update. For this reason, we support the Williams Review's objective of reform that prioritises passengers' and taxpayers' interests.

In response to the Williams Review call for evidence, we at TfN have generated principles that underpin an emerging proposition for the rail industry that puts the passengers and freight customers first and delivers improved outcomes for customers, local communities, railway employees and wider society. The core principles of this initial proposition, that will be further assessed, developed and refined in due course, are:

- A golden thread of accountability and alignment with objectives, with three clearly defined levels of governance:
  - Long distance and freight services nationally coordinated, delivering on national priorities and objectives;
  - Sub-national transport bodies delivering on their priorities and acting as a guiding mind by being responsible for services within their boundaries
  - The provision for other local and sub-regional bodies, such as City Regions, Local Authorities, and Combined Authorities, to have full autonomy over devolved spending and decision making for locally-specified service arrangements (with TfN managing cross-regional services) to enable them to develop successful multi-modal strategies around their own policies and objectives, with fully integrated local rail networks at their heart
- Vertical integration of track and trains through the creation of sub-national infrastructure bodies, for example TfN Infrastructure, to work collaboratively with sub-national and local operators to improve efficiency of delivery
- Longer, (e.g. 15-year) arrangements to provide a greater incentive for investment which can be targeted where it is needed the most
- Flexibility for local areas to determine procurement and ownership models.
- The coordination and prioritisation of freight services by sub-national transport bodies in close collaboration with the national co-ordinating body to ensure seamless freight movement.

Through robust analysis of national and international case studies, we believe that these principles will be successful in delivering the following benefits:

- Investment decisions that focus on local need, whether this is capacity, quality, encouraging mode shift or accessibility for a specific area
- Stronger policy alignment and a means to deliver local and sub-national goals and objectives that respond to the concerns and needs of local people
- Local accountability that will bring an end to the culture of blame
- Improved coordination and reliability
- A simplified network with consistency in fares and ticketing, and integration of rail services with local transport networks

We at TfN stand ready to play a leading and collaborative role in shaping the outcome of the Williams Review, and implementing the recommendations.

## Introduction and Background

### Transport for the North

Under the Local Transport Act 2008, amended by the Cities and Local Government Devolution Act 2016, Transport for the North (TfN) has been established as the first Sub-National Transport Body, with the purpose of developing and implementing a transport strategy and programmes for the North. TfN's aim is to plan and ensure the development of new infrastructure and the delivery of the improvements needed to truly connect the whole of the North with resilient, reliable, efficient transport connectivity, driving economic growth and supporting the creation of a Northern Powerhouse.

TfN is accountable to local citizens through its constituent authorities, through the TfN Board. This consists of the 20 local transport authorities. Representation at the TfN Board also includes the 11 Local Enterprise Partnerships, the Department for Transport, Highways England, Network Rail, and HS2 Ltd.

The Secretary of State for Transport must have due regard to the priorities identified by TfN when making decisions affecting the North. The constituent authorities of TfN must exercise their transport functions with a view to securing the implementation of the proposals contained within TfN's Strategic Transport Plan.

### Responding to the Williams Review

The Williams Rail Review offers Britain a once-in-a-generation opportunity to address the fundamental issues that affect our railways. The North of England has a proud railway heritage, but recent issues resulting from attempts to introduce additional services have shone a light on the decades of capital underinvestment that has resulted in a network that is not capable of meeting the ever-increasing demand for rail which has more than doubled over the past 20 years. We have a national operating model that is not fit for purpose and does not provide value for money for customers and taxpayers, and the impacts of this are being felt across the entire country, but particularly acutely in the North.

We believe, and the evidence referenced in this submission and our previous response to the four question supports our view, that the railway is a powerful tool that can help us to achieve our fundamental goals and objectives around social outcomes, the economy and the environment. Indeed, the Northern Powerhouse Independent Economic Review (NPIER) sets out the productivity challenges across the North and how different policy interventions, including infrastructure such as rail, could help to support transformational growth. Reducing carbon emissions and improving health, supporting the delivery of new housing to accommodate a growing population, and providing deprived communities with affordable connectivity are just some of the benefits of a well-managed and efficient, growing railway.

This submission provides the Williams Review with a coordinated, view from Local Transport Authorities within the TfN area. TfN has carried out engagement with Rail Officers and Elected Members from member authorities, and we will be developing and refining our proposition over the coming months through further engagement with our members and the Williams Review Team.

## Issues and challenges

The Williams Review evidence papers provide a succinct summary of the main issues being faced by the rail industry but we believe these problems, particularly in the North, run deeper and need to be fully articulated. Following the May 2018 timetable issues, the Blake Jones Review of the Rail North Partnership, and the Richard George Report have been commissioned to understand the structural issues that led to the May 2018 timetable crisis and to provide a series of recommendations for reform. At the time of submission these have not been published but emerging conclusions have been used to inform this report.

Common themes throughout the evidence reviewed include an erosion of passenger trust and poor industrial relations. This is often due to clear differences between the actions of the industry and the basic interests and priorities of passengers and staff. There is a lack of a single strategic direction creating fragmentation with unclear accountabilities, and an industry that does not provide value for money due to structural inefficiencies, spiralling unit costs and profiteering.

Passengers cannot see clear lines of accountability for decision making that affects their services which has led to a culture of blame with nobody willing to take control when failures occur.

In the North of England these issues have been felt acutely. In infrastructure terms this lack of accountability and control has resulted in under-investment due to decision making stacked against areas without an established and successful railway service, dense population and high productivity. The impact this has on objectives around rebalancing the British economy are well-publicised. And from an operating perspective the main symptom has been an ever-increasing number of passenger and freight services competing for limited network capacity. The use of ageing diesel rolling stock is also a particular problem in the North as outlined in TfN's response to the House of Commons Transport Select Committee Inquiry into trains fit for the future. When combined with the lack of coordination between infrastructure delivery and train service specification and provision, and the current contracting arrangements where each organisation is dependent on others but can't hold them to account, the unsurprising outcome of this is the kind of chaos that we saw in May 2018.

TfN fundamentally believes that decisions that affect the running of the railway across the country are best taken locally by the people who have the greatest understanding of these local issues and associated opportunities. This will allow rail to play a key role in delivering better social outcomes, addressing entrenched deprivation, enhancing the built and natural environment and transforming communities.

More detail around the issues facing the rail industry in the North of England can be found in our response to the 'four questions' stage of the call for evidence.

### Summary of objectives

The Williams Review has presented a set of high-level objectives that we are broadly in agreement with. However, as detailed in our response to the previous stage, we would like to see better alignment with our own objectives as

presented in our Strategic Transport Plan (STP) and Long-Term Rail Strategy (LTRS) documents. These objectives are replicated by sub-national transport bodies and local authorities across the country and so this alignment would ensure the recommendations from the Williams Review are in the best interests of customers and communities in the North of England, along with the rest of the country.

The Williams Review objectives, under the three headings of Passengers, Taxpayers and Wider Society need to ensure they are reflecting environmental objectives and inclusive growth that supports local communities. 'Wider Society' as a high-level objective could be perceived as a catch-all that does not recognise the nuances of a rail network that serves a diverse country with differing local needs. Further, freight needs to be more prominently recognised, potentially by changing 'passengers' to 'customers', and there should be more recognition for the industry itself to allow staff to develop successful and rewarding long-term careers.

### Shortfalls of the current model

To understand the inherent issues and shortfalls of the current model of rail delivery in Great Britain, we have developed a set of policy 'levers'. These levers also form the basis for the development of our proposition as pulling each one in one direction or the other, and understanding the resulting trade-offs and dependencies, has allowed us to optimise an operating model that we believe will deliver significant benefits for customers and wider society.



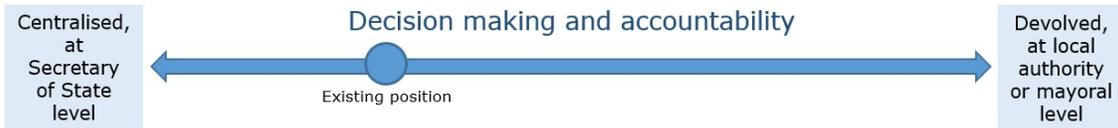
Vertical separation relates to the responsibility for managing and operating the different aspects of the railway – namely tracks (and wider infrastructure) and trains. The May 2018 timetable issues demonstrated the key failings of the current model of vertical separation, as infrastructure not being delivered on time resulted in Train Operating Companies (TOCs) not being able to deliver on contracted commitments and timetables. This could theoretically still happen under a vertically integrated system, but the impact would be limited by better coordination.



Horizontal integration relates to the number of operators present on the railway network. The existing model, with a diverse mix of operators responsible for inconsistent and mixed geographies is resulting in an overly complex network which customers must grapple with, and a fundamental lack of any real local accountability (with notable exceptions such as Scotrail, Merseyrail and London Overground).



Under the current model the length of an arrangement is the amount of time a TOC is awarded a contract for, typically 7-10 years. The main issues with this include the resource and cost implications of repeated procurement competitions, and that frequent cycles of change are perceived to be stifling investment and innovation.



Clearly a critical consideration for TfN, under the current model decision making and accountability is weighted towards a centralised system of control. This is resulting in a situation whereby local bodies are being held to account, particularly by the voting public, for deep-lying issues in the industry but have very little ability to effect change. Arguably only the Department for Transport (DfT) can currently direct significant change and they are remote from where the issues are occurring or having to focus on issues on other parts of the network. The outcome of this lack of accountability is a culture of blame and a railway that is not working for customers and local communities.

## TfN Proposition for Development

### Shifting the levers – the mechanism for change

The following sections describe how the levers set out above were used to arrive at a starting point proposition option which will continue to evolve as we and our partners review and refine the details and assess costs and benefits. For each of the four levers described in the Background section, a direction of travel has been highlighted in a diagram followed by a summary of the reasoning, what it looks like nationally and for the North, the main risks and dependencies and the anticipated outcomes and benefits.

For each lever the following coding has been used:



### The requirement for national coordination

Appropriate national coordination would be required to support further devolution of the railway. It is critical to remember that while we are looking for local bodies to have greater control over the rail network in the North, we are part of a national rail network with numerous complex interfaces. Performance issues in a given area can easily have knock-on effects and cause similar issues right across a region or beyond.

Long distance and freight services which cross regional boundaries require independent coordination to run efficiently. There are also a huge number of trade-offs and decisions to be made around making the best use of capacity on the network, with one example being the impact of additional station stops versus overall journey times.

Decisions should be made on robust evidence and wider implications should be considered. The coordinating body should have a defined set of principles as to how track capacity is allocated, to ensure that it is clear and transparent to TfN and other sub-national transport bodies.

### Vertical separation



As described in the issues section, the recent timetable issues demonstrated the key failings of disaggregation and a vertically separated railway. When key capital projects are not delivered on time, particularly on pivotal sections of the network, TOCs are not able to deliver on contractual commitments, and if the process is not appropriately managed severe disruption can ensue.

In the outline proposition, TfN are advocating the localisation of infrastructure investment and management to sub-national and sub-regional transport bodies. For the North this could be represented in the form of 'TfN Infrastructure' who would collaborate with an operator across the same geography to secure infrastructure investment and target it where the benefits will be greatest for customers in the North. The nature of this collaboration, be it in the form of a 'deep partnership' or part of the same organisation, is to be developed as ongoing development of the proposition.

In terms of risks and dependencies, there are clear questions around the capability and desire of sub-national transport bodies to take over, manage and maintain a multi-billion-pound portfolio of physical assets. The balance of responsibility and financial risk between Network Rail and the sub-national transport bodies will require careful consideration.

However, if delivered efficiently, this kind of vertical integration will result in stronger policy alignment, including around the skills agenda, and better integrated investment of available funding. Infrastructure upgrades and service specifications can be planned and delivered in a more joined-up manner that meets local objectives and maximises the benefits of the finite spend on the railway. The sustainable multi-modal alignment that TfN brings, together with our place-focussed partners, has the potential for synergies and improved disruption management.

### Horizontal integration



TfN is advocating a direction of travel towards fewer operators and interfaces. We are, however, proposing to facilitate locally-specified service arrangements, most likely at the Local Authority, Combined Authority or City Region level (or specific routes where appropriate). This could either be through a regional operator working to a local specification, or in some cases, a local operator procured locally and potentially integrated with other local transport. This system provides a means of taking account of more local issues yet in a joined up regional way.

It could be perceived that the locally-specified service arrangements add a layer of complexity rather than the desired simplicity, particularly with the likelihood of conflicting priorities between regions. However, this will be mitigated by having TfN as the guiding mind for all services across the North, and at the local level greater simplicity will be delivered through improved integration with other modes, including tram-train.

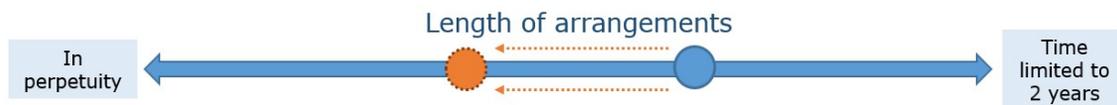
A key aim of our emerging proposition is to deliver a golden thread of accountability with regions such as the North taking responsibility for their own railways. This could be in the form of a body such as our suggestion of 'TfN Trains'. Long distance services would be overseen by the national coordinating body, working collaboratively with sub-national transport bodies (TfN Trains) to ensure services can be accommodated along their entire routes, and deliver on

national priorities and objectives. Sub-national transport bodies would be responsible for relevant services within their own boundaries and will also act as a guiding mind for a series of locally-specified service arrangements. This will allow TfN Trains, to, for example, deliver on the objectives set out in the Strategic Transport Plan and Long-Term Rail Strategy. Finally, the locally-specified service arrangements will enable Local Authorities, City Regions, or other defined routes or areas where appropriate, to develop successful multi-modal strategies around their own policies and objectives, with fully integrated local rail networks at their heart delivering benefits for local communities.

TfN's role as the guiding mind in this model will help to manage the new interfaces between the different levels of governance. Where appropriate, local areas could have autonomy over devolved spending, decision making and specifications (e.g. for all routes entirely within their own geography). TfN would play a role in managing any conflicting priorities to ensure continuity, fairness and consistency. Criteria will be established that reflect the Strategic Transport Plan and Long-Term Rail Strategy, along with inputs and proposals from those local, city and transport authorities but considering them alongside other needs for funding and policy.

There are many points of detail worked through, particularly around financial risk allocation, but if delivered effectively this arrangement will deliver a simpler network providing better value for all customers including consistent and integrated fares policy and integrated ticketing. TfN intends to undertake work on a more detailed proposition over the coming months, working with our partners.

### Length of arrangements



Analysis of the issues has highlighted that the relatively short length of current franchises is resulting in the stifling of investment and innovation, with operators not incentivised to take a longer-term view. Operators are not invested in the long-term success of their section of the network as they know that in a handful of years the franchise could be given to a rival operator. To counter this, we are proposing that arrangements are generally lengthened (e.g. to 15 years) to ensure operators feel they have a real stake in the railway's success and are encouraged to invest and innovate accordingly. However, it is noted that clear and regular break points will be required to avoid complacency and stagnation. We also advocate flexibility in the length of arrangements to avoid a 'one size fits all' scenario and enable sub-national operators to respond to differing local circumstances.

For the North this means TfN overseeing all services in perpetuity and procuring locally-specified service arrangements on long term (circa. 15 years) arrangements with clear break points with achievable criteria to drive stability and investment across the entire region.

In terms of risks and dependencies, it is possible that longer arrangements result in less competition meaning there is a requirement for greater regulation.

However, this will be mitigated by strong and effective contracting supported by break points for severe mismanagement or failure.

Importantly, longer arrangements will provide a greater incentive for investment which can be targeted where it is needed the most. It will incentivise all industry players to work towards the long-term improvement of the railway rather than focussing on short-term profit.

### Decision-making and accountability



TfN are strong advocates of increased devolution and local accountability. The existing centralised model is resulting in a culture of blame and a lack of true accountability where local bodies are held to account by the voting public but have no ability to dictate change.

We believe that decision making and accountability for rail should be devolved to sub-national transport bodies, and where appropriate to local areas including Local Authorities and City Regions.

For the North this would see TfN coordinating track and train and local decision making by business units for specific geographies (City Regions, Local Authorities and Combined Authorities). It is anticipated that TfN would have oversight but at arm's length to allow the day-to-day operation of the railway at the technical level for the long-term benefit of the railway.

There will need to be an appropriate funding settlement to facilitate sub-national bodies (and potentially others) carry an appropriate degree of responsibility and financial risk, the outcome will be a system that allows for much stronger policy alignment, particularly around society, the economy and the environment, and stronger local accountability but with the ability to drive change.

### Ownership, regulation and commercial arrangements

There should be flexibility built into the framework to accommodate different models of ownership and procurement – which would be a local decision. The success of TfN's emerging proposition depends on the other areas represented by the levers being properly addressed, and the right management processes and communication protocols are in place.

Benefits of greater public involvement could include lower costs of borrowing meaning lower capital costs for projects, a greater ability to align with policy including housing delivery, and simpler roll-out of initiatives such as those on ticketing, cycle and catering policies.

Stations are a key area which could be brought under the ownership and control of sub-national transport bodies or local authorities. They can then be managed locally which will allow for revenue generation, improved modal integration, integration with local development and land use plans and clear prioritisation of investment.

It is clear that flexibility is likely to be key; the model needs to facilitate different ownership models, potentially determined by local circumstances and priorities. It is noted that the transfer of major assets such as rolling stock and (more significantly) infrastructure brings greater risk and potentially a debt burden to sub-national organisations and the approach to revenue risk would need to be considered.

## Freight

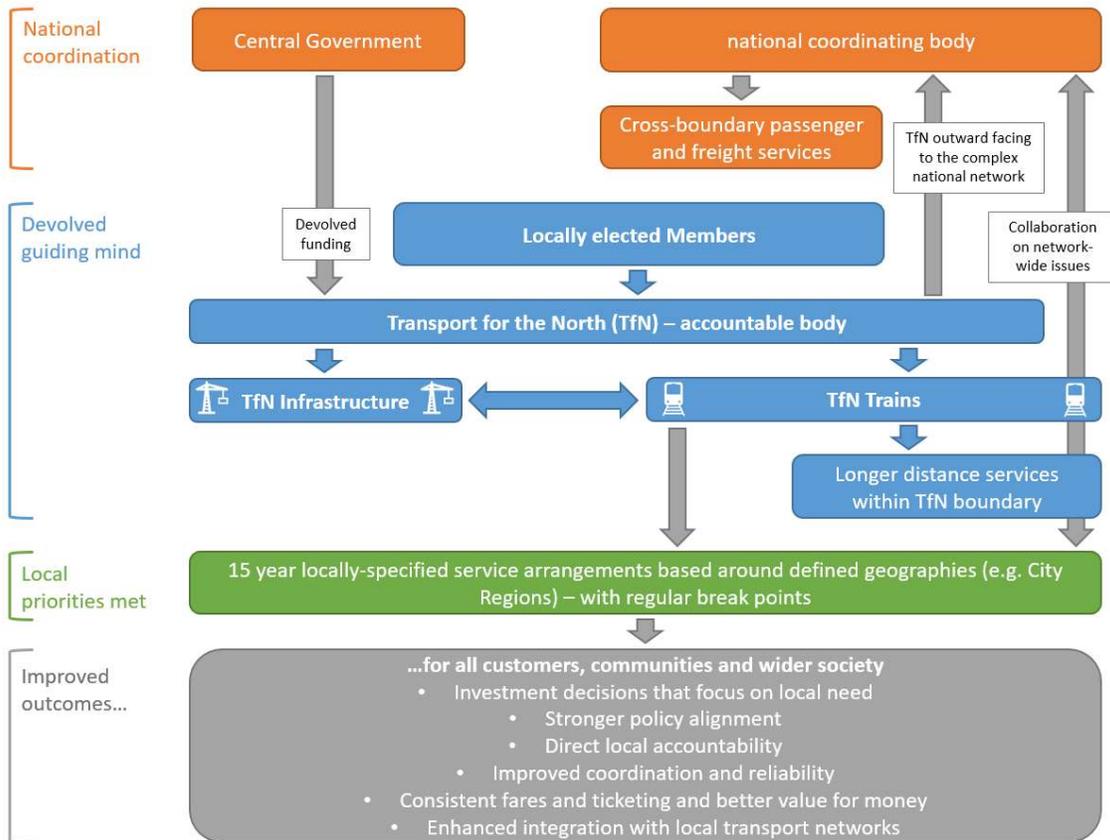
Another key consideration for the TfN proposition, and of the Williams Review recommendations, is freight. The road network in the North, particularly east to west, does not have the capability to accommodate the forecast increase in unitised cargo and therefore opportunities to use other modes such as rail should be pursued. The current system often sees freight marginalised to fit around ever-increasing numbers of passenger services with no clear evidence on the value of freight paths.

TfN propose that sub-national transport bodies be given the powers to decide on the relative priority of freight on specific routes, particularly where capacity is constrained. It is market forces that have marginalised freight and by shifting to a system whereby sub-national bodies use an evidence-led approach to ensure the entire railway will benefit. There would need to be close collaboration with the national co-ordinating body to ensure seamless freight movement.

We recognise that there is clearly a role for the national coordinating body in managing cross-boundary services, but rather than dictating services they will operate as part of a highly collaborative process.

### High level summary

The diagram overleaf summarises an emerging option for how a proposed initial proposition might look along with a short executive description, using the North of England as an example. This is a starting point that will evolve as we work further on its development, iterating with our partners.



An option presented in the emerging proposition is for TfN to act as the guiding mind to coordinate services within the region. TfN Trains would work collaboratively with a national coordinating body to manage long distance services through the region. They could also be responsible for overseeing services within the TfN boundary and coordinating and prioritising freight movements, working closely with an organisation such as TfN Infrastructure to achieve strong vertical integration. Locally managed rail networks are a further opportunity for sub regional integration of track and train and with other modes.

Where conditions are right, such as in devolved City Regions, Combined Authorities and other local areas, there could be provision for locally specified (and possibly procured) service arrangements, with regular review and break points to meet local priorities and better integrate services with local transport networks. These bodies could have complete autonomy over devolved spending and decision-making where services are contained within their boundaries, with TfN overseeing services that cross authority boundaries.

This potential option would deliver improved outcomes for customers, communities, railway employees and wider society including locally focussed investment, greater policy alignment, local accountability, improved reliability, better value for money and enhanced integration.

TfN, working with its members, will further refine and test the potential option against other options over the coming months.

## Risks and dependencies

Clearly this emerging proposition is not without risks, but we believe these can be mitigated and managed to ensure a smooth transition and a brighter future for the railway, particularly as we iterate the proposition working with our partners and the Williams Review Team.

Firstly, there are risks around devolution versus investment. Our emerging proposition is built upon the principle of increased devolution, but this does not necessarily mean an increase in investment either nationally or for specific regions. Decades of capital underinvestment in the North is a key driver of the issues we are now seeing, and although devolution will allow the North to gain benefits from prioritising where the finite pot is spent, if there is no change in the way this investment and funding is allocated there is a risk that these benefits will be marginal rather than bringing about the transformational change that will benefit not only the North, but the entire country through a rebalanced economy.

While we recognise the critical importance of the national coordinating body, their objectives and terms of reference need to be clearly defined and in line with both nationwide and sub-national objectives for the railway and therefore we would expect the relevant sub-national bodies to be involved in the national coordination body.

At the regional level there is also a risk that differing priorities across the North lead to a lack of co-ordination. However, we believe both tensions can be managed and mitigated through clearly defined terms of reference for each level of governance and working through TfN as the statutory sub-national transport body.

Finally, there are also some key trade-offs to consider as our presented starting point is progressed and finalised. These include making tickets simpler and affordable versus increased investment in the network (although simplicity can bring its own efficiencies and additional revenue), prioritising freight coming at the expense of limited passenger capacity, capacity versus reliability, funding by taxpayers versus funding by beneficiaries and investment from the finite pot in services and infrastructure versus links to local communities. These risks and trade-offs are not insignificant, but we believe that the benefits of our emerging proposition far outweigh these risks and the disruption that may be caused during the transition period. A common theme is the need for enough funding and investment to accompany any new proposition.

## Anticipated Benefits of the TfN Initial Proposition

### Benefits for customers, communities and wider society

We at TfN believe that the benefits of the principles underlying our emerging proposition for customers, communities and wider society will be significant. Devolution to TfN as a guiding mind and accountable body, and the introduction of a body such as TfN Infrastructure that is responsible for prioritising infrastructure investment, will lead to investment decisions that focus on local need, whether this is capacity, quality, encouraging mode shift or accessibility.

TfN, as the guiding mind, will also bring stronger policy alignment and a means to deliver the objectives and goals set out in our Strategic Transport Plan and Long-Term Rail Strategy. This means the railway in the North will be able to respond to the concerns and needs of local people in a way that is not possible under the current centralised system.

Direct local accountability will bring an end to the culture of blame that exists under the existing system. When TfN have the powers to dictate change on the railway, they will have natural accountability to local customers and taxpayers. This will also serve to incentivise improvement across the network.

Vertical integration will result in improved coordination and reliability. Infrastructure renewals and enhancements can be planned alongside service changes and enhancements in a joined-up manner that will bring an end to the conditions which led to the timetable issues in May 2018. There will remain a tension between capacity and reliability, and between freight and passenger services, but TfN as the guiding mind will be able to manage this in line with the priorities of the north.

With TfN as the guiding mind overseeing the locally-specified service arrangements, greater integration and consistency in fares and ticketing and also marketing can be introduced. This will serve to simplify the network for customers and provide better value for money.

Finally, from a multi-modal perspective, the principles of our proposition will allow TfN, City Region and Local Authorities to better integrate rail services with local transport networks and local communities to enhance the attractiveness of rail as a mode and contribute to the regeneration of those communities. Of particular relevance here is access to stations where joined-up thinking can be used to increase patronage on the network by simplifying interchange.

### UK case studies

This section briefly looks at case studies from around Great Britain where varying versions and degrees of devolution have been implemented and the railway has benefited. These examples demonstrate why we believe the high-level principles in our emerging proposition are likely to succeed.

Within TfN's boundary, Merseyrail operate on a long-term arrangement that puts passengers first and is responsive to changing circumstances. 25-year concessions to run Merseyrail services, along with City Region control over the fare strategy, is an example how devolution can positively impact railway services. Although having a largely isolated network is a big advantage, Merseyrail regularly tops the national list for customer satisfaction, and also

scores highly on the environment, punctuality, value for money and customer service. The long-term concessions also allow them to act more strategically, for example buying a new train fleet rather than leasing it.

Also within TfN's boundary, the majority of Tyne and Wear's railway has been controlled locally since the 1970s. In this time the network has benefited from continuous investment including ticket machines at all stations and mobile phone reception for underground lines. In 2015, the Metro network became the UK's first outside London to benefit from pay as you go smart ticketing, while Transfare integrated tickets allow for bus-rail combined journeys. Fares are also controlled locally to support the needs of customers and employers. Peak fares were abolished in 2014 and fares rises have been kept below inflation for four years to help economic recovery.

Looking beyond the TfN area, perhaps the most compelling case for devolution of rail services is the example of London Overground. Since Transport for London (TfL) took over the management in 2006, the network has experienced unprecedented growth. Investment in customer service and multi-modal information, the integration of fares with bus and underground services, and new contractual measures requiring improved punctuality resulted in unprecedented, regular growth of patronage which more than quintupled since 2008. TfL have been able to align service improvements to housing and employment growth areas in the Mayor's Local Plan, highlighting the benefits of coordinated local planning.

### **International case studies**

Looking further afield, in the Netherlands The State Secretary of Infrastructure and Environment grants the passenger transport concession and the management concession for a period of 10 years. Both concession holders are obliged to work with one another and with other parties in the rail and public sector to deliver improvement programmes that they implement together. The transport concession holder has the sole right to transport passengers on the core railway network and are required to provide the minimum level of service and other contractual obligations. Each year they draw up a transport plan, in which they lay out how they are going to comply with the obligation of care from the new concession. With a few exceptions, none of the services in the core network are subsidised by the government. These very successful concessions are based on three principles – strong leadership from the concession granting authority, stimulation and the obligation for cooperation, and joint focus on the track and train concessions to achieve common goals.

In 1988 Sweden's railway was vertically separated with the first subsidised services franchised out in 1989. The basic idea behind the Swedish model is that a public procurer strictly specifies what activities they require from the operator. Regional services are franchised by the respective regional public transport authorities, and national and non-commercial services that cross county borders, by a national body. The two other distinctive differences between Swedish and British model are that the vehicles are usually procured and owned by franchising authorities, and fares are not levied by the operator. Contracts are generally gross cost with incentive payments based on performance. The incentive for the private sector is therefore to run franchises cost effectively, while the revenue risk is left with the franchising authority. Fares and rolling stock procurement responsibilities are left with regional authorities, best

equipped to bear revenue risk, respond to regional transport strategies, and deliver a long-term vision for the railway.

Clearly there is significant overlap between the TfN proposition and the best practice demonstrated in successfully operated railways around Great Britain and internationally. This is clear evidence that the principles we are proposing have a high chance of delivering successful outcomes.

### **Responding to the Williams Review objectives**

We also believe that the principles underpinning the emerging TfN proposition score highly against the high-level objectives released as part of the Williams Review call for evidence. In terms of passenger satisfaction and value for money we are confident that a proposition such as this, with vertical integration and locally-specified service arrangements that respond to local needs, will increase satisfaction by improving reliability and giving customers greater journey choices. The simplified local network, ability to control fares and improved integration with local transport networks will bring efficiencies that will help to reduce costs and improve value.

With natural accountability to local customers and taxpayers, TfN and other sub-national transport bodies will be incentivised to drive down costs and improve the long-term affordability and value for taxpayers.

Finally, the benefits for wider society are clear. With TfN and other sub-national transport bodies acting as guiding minds, and locally-specified service arrangements representing local interests, the alignment with social, environmental and economic objectives will be much stronger than at present. There will also be a better understanding built around the benefits of freight and the role it can fulfil in delivering sustainable growth.

### **Alignment with other submissions**

Our emerging proposition aligns with the Rail Delivery Group (RDG) Williams Review response principle of bringing decisions on local services closer to home and devolving the funding and specification of rail services to the most appropriate democratically elected bodies. Like TfN, they are in favour of a customer-oriented and accountable railway that strengthens communities and drives economic growth and is managed by an independent national organising body. We also welcome their recognition of the role of freight in the economy.

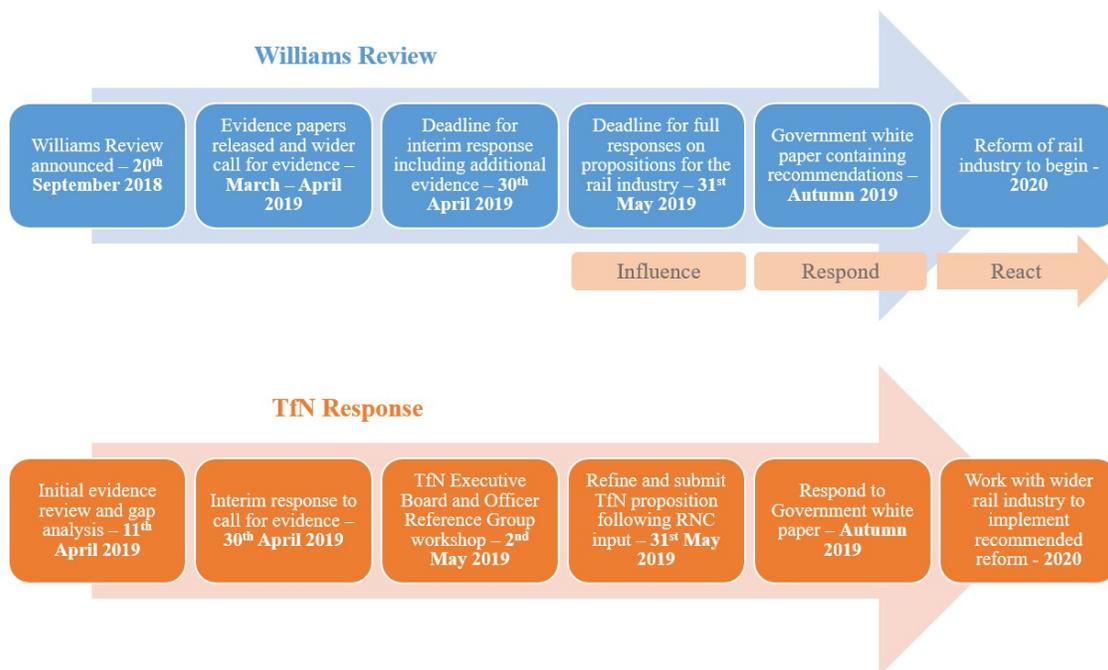
The key difference between our principles and the RDG response is around responsibility over rail infrastructure. RDG are not in favour of vertical integration, preferring instead further devolution of Network Rail. We believe that the current delivery model with a centrally-governed Network Rail that is not locally accountable and chronically underfunded is one of the key reasons for the existing issues within the industry. We believe that changing this model, through for example TfN Infrastructure, will deliver better collaboration with operators and stronger alignment with local objectives, ultimately leading to better outcomes for customers.

Local Transport Authorities across the North of England will be submitting individual responses to the Williams Review. Having consulted our member authorities, the principles in this initial proposition align with their input to the review, and allows us to work with our member authorities to further develop our proposals for rail services across the north.

## Timeline for Delivery and Next Steps

There is a clear desire from TfN to continue to progress these initial proposals beyond this submission to the Williams Review. We understand that further work is required, and resources will be committed to take the high-level principles presented in this initial proposition and continue to liaise with the Williams Review team and our partners to develop them into a workable and tangible full business case for a proposition that can form the basis of a final set of recommendations for the rail industry in Great Britain. TfN will require appropriate resources to progress further devolution and these will be set out in future submission to Government.

We understand that a government white paper containing these recommendations will be released in Autumn 2019 and so there is limited time to further directly influence the outcomes of this. However, we hope that this will begin a period of consultation where those directly impacted by the recommendations are able to feed in to the process to ensure their interests are being considered and responded to. We believe that this ongoing engagement is critical to the success of any future reforms. The diagram below shows the timeline both from a national and TfN perspective.



The complex nature of the rail industry, combined with a desire to begin the implementation of reforms in 2020, means that the entire industry will need to cooperate to an unprecedented degree to work towards the common goal of delivering a railway that prioritises customers' and taxpayers' interests and puts the needs of local communities at its heart. TfN stands ready to play a leading role in this process.



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