

Subject TfN Response to Williams Review - Initial Proposition Principles
Date 3 May 2019 **Job No/Ref**

1 Background

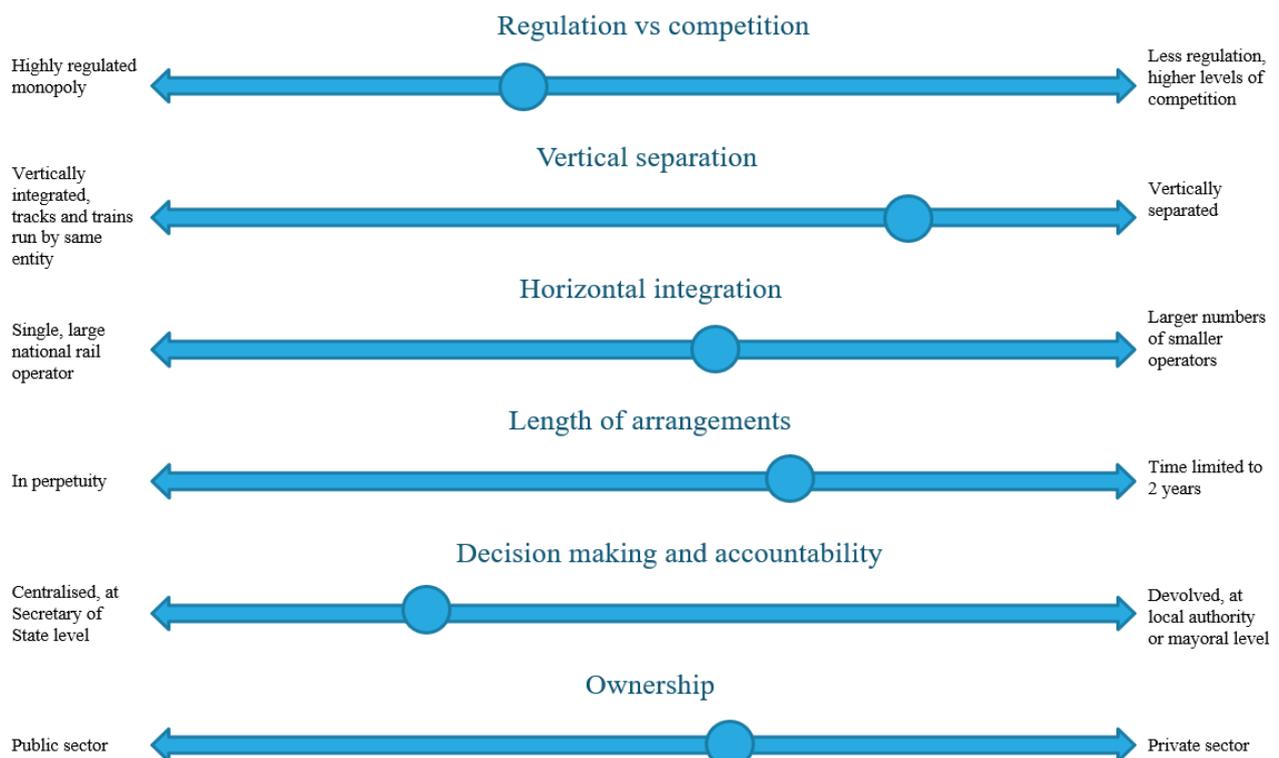
This note summarises the outcomes of the Transport for the North (TfN) Executive Board workshop held on May 2nd 2019. The objective of the workshop was to ‘arrive at a draft proposition TfN will put forward to the Williams Review and undertake an indicative scoring against the Williams Review criteria to check how it performs’.

In advance of the workshop TfN, supported by Arup, carried out an extensive gap analysis exercise on the Williams Review evidence base, using the initial Williams Review ‘call for evidence’ response to highlight some key thematic gaps in the issues and to make some suggestions to strengthen the proposed high-level objectives and assessment criteria.

The full submission, featuring TfN’s proposition for re-structuring the rail industry, will be submitted to the Williams Review on the 31st May 2019. This note sets out some of the high-level principles that were established through the Executive Board workshop, and a complete draft proposition will be prepared for presentation, discussion and approval at the Rail North Committee on May 14th 2019.

2 Development of the Proposition Principles

In order to prompt the right level of discussion and to help us understand what TfN would like the future of the UK rail industry to look like, a series of continuums, or ‘levers’ have been developed. These levers are presented below with an indication of where the rail industry currently sits.



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The Officers were then shown a series of potential trade-offs to consider, for example if decision making becomes more devolved there may be a need for stronger regulation to ensure universal network access for all types of operator, and increased vertical separation (between tracks and trains) due to the burden of financial risk on smaller authorities.

The exercise was then for officers to discuss each lever and produce a proposition for where TfN would like to be and what this might look like in reality.

3 Summary of the Principles for the Draft Proposition

There were three groups for the workshop exercise and after careful discussion and deliberation there was a consensus for the following key principles based on each of the levers:

3.1 Regulation vs competition

There was general agreement that there is a need for more regulation than in the current model. There is a strong perception that the North is not seeing the benefits of competition and a greater degree of control over the industry can help to deliver the North's strategic economic, environmental and societal goals. There was also a thought that there needed to be a focus on competition with rail, including the private car.

3.2 Vertical separation

The consensus was for more vertical integration than in the current model with the potential exception of stations which could be part of local communities rather than owned and managed by the rail industry. It is clear that from the North's perspective the May 2018 timetable change demonstrated the key failings of vertical disaggregation where infrastructure not delivered on time meant operators could not deliver on franchise commitments. A good case study to consider is the Highways England model of the Major Route Network, Strategic Route Network and devolved local road network.

3.3 Horizontal integration

In terms of horizontal integration there was broad agreement on a move towards fewer operators (for example with the North falling under an umbrella organisation managed by TfN) but with the use of micro-franchises to deliver specific benefits for local communities. It should be noted that one operator for the North of England is not the same as one operator in the North of England and that multiple operators split by geography is preferable to split by market to reduce overlap. The role of a system operator to join together services in to a national network was acknowledged.

3.4 Length of arrangements

This is a complex issue with different solutions likely to work for different circumstances. However, the broad feeling was for a move towards longer arrangements but with clear break point reviews to avoid complacency and stagnation. Circumstances will dictate the need for flexibility here, for example if there is a significant period of change then shorter arrangements might be

suitable, but if long term stability is required, or there is a need for investment delivery with some pay back through whatever form of arrangement there is, then longer arrangements may be more appropriate.

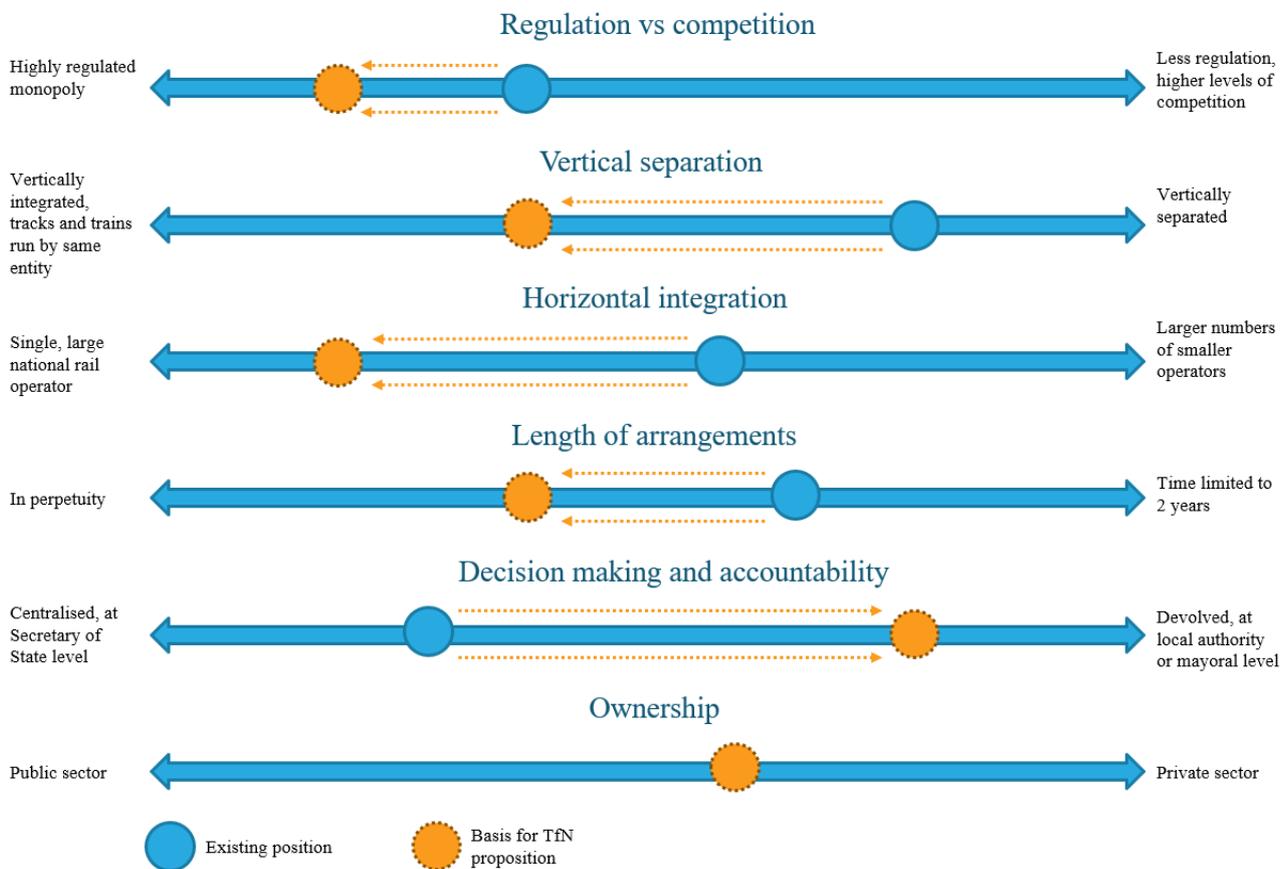
3.5 Decision making and accountability

There was agreement here that there should be a move towards more devolution with increased local decision making and accountability. However, this could be overseen by regional ‘families’ to bring efficiencies, links with other policy areas and local benefits. The most appropriate level of devolution is likely sub-national transport authorities but with a separate layer of devolution below this to business units for specific geographies.

3.6 Ownership

The consensus view on ownership was that it is not the overriding factor determining the success of TfN’s proposition. If the other areas represented by the levers are properly addressed, and the right management processes and communication protocols are in place then public vs private ownership should not have a material impact on outcomes for customers. However, it was stated that the ability to reinvest profit in the network rather than it going elsewhere could be a significant benefit.

The below shows how the levers model could look under a TfN proposition:



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4 Other Key Considerations and Risks for the Proposition

As the full submission is developed there are a number of other considerations and risks that were raised through the evidence review and by Officers at the workshop. These include:

- The key is to make sure customer (passengers and freight) outcomes are delivered.
- It is important to think in terms of the differentiation between devolution (decision making, accountability) and changes to the proportion of investment that gets to TfN. The question was asked about whether devolution with no additional funding was worthwhile or not. The view was that it is as there would be more appropriate spending of the money that is currently spent, and that it would create a better platform, once established, to lobby for and accommodate larger scale investment programmes.
- Communication between, alignment of and management of the industry and its parts is the key thing – if this is right and voices are properly heard, then different structures and different points of the ‘levers’ can work.
- Alignment with other local policy – economic, spatial plans, environmental, and for other modes is critical to maximise the benefits of devolution and align with other areas of planning. The link between transport provision and sustainable housing growth is fundamental.
- Some cross cutting or centralised decision making or strategy, cognisant of local issues, is beneficial (or even necessary). For example, a national systems operator in the fields of timetable, rolling stock, ticket products, accessibility and freight.
- Financial risks and the ownership of them must be considered
- There is a need for longer term thinking with rolling programmes of renewals and enhancements to drive up efficiency and drive down costs.
- Freight is a key consideration in terms of delivering sustainable economic growth in the North and is a key ‘tension’ in terms of utilising limited capacity.

4.1 Summary of key risks

- Investment:
 - Further devolution but no change in investment
 - No change in the way investment and funding is allocated
- Governance
 - No single guiding mind on key strategy such as rolling stock and timetable where an overall view, that takes account of local requirements, is key.
 - Strategic decision making that doesn’t prioritise TfN’s key objectives
 - No further influence over how services are specified and decisions are made
 - Differing priorities across the north challenging a single strong voice and governance

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- Change
 - Further complexity and confusion, particularly through a period of change
 - Lack of emphasis on growth and innovation as an industry
- Some trade-offs
 - Making tickets more simple and affordable vs increased investment
 - Prioritising freight will (often) come at the expense of limited passenger capacity
 - Capacity vs reliability
 - Limited investment: services and infrastructure vs links to local communities