



Northern and TransPennine Rail Franchises:  
February 2015

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## 1. Executive Summary

To create a world class railway for the whole of the North, recognised by passengers and businesses as serving their needs, that supports economic growth and is both more effective and more efficient.

- 1.1 Rail North Limited brings together Local Transport Authorities (LTAs) across the North of England into one cohesive and proactive body, which represents the regional and local economic, transport and strategic objectives for the rail industry. Furthermore, it has enabled Local Authorities to develop their understanding of rail industry processes and to provide their local experience and expertise to influence franchising outcomes as they never have before.
- 1.2 Rail North and the Department for Transport (DfT) have been proactively working together towards a plan for devolution of rail services since early 2012. In this period much has been accomplished including:
  - the creation of Rail North Ltd and establishment of its Long Term Rail Strategy (LTRS);
  - the foundations for a collaborative partnership between Rail North Ltd and DfT which will manage the Northern and TransPennine franchises from 2016; and
  - the publication by DfT of the Invitations to Tender (ITTs) for the Northern and TransPennine franchises following the Partnership work undertaken by Rail North and DfT, which has provided a stronger link between Local Authorities, Communities and their rail network.
- 1.3 There have been many achievements in the production of the ITTs, which has seen Rail North representatives not just participating in specification development work but leading on some fronts, such as work associated with rolling stock.
- 1.4 Rail North has taken an approach, applying local, economic and geographical knowledge, to the re-franchising process to create positive and growth-led franchises; in contrast to the previous 'no growth' approach of the previous franchise letting processes, particularly for Northern. This has led to the inclusion of a number of Rail North's requirements from its LTRS including:
  - Requirement for capacity to meet demand
  - High requirements on franchisees to focus on quality for customers
  - Inclusion of station investment
- 1.5 In the future Rail North and DfT will work together under a Partnership Agreement, moving towards Rail North's plans for future devolution of rail services, planning and investment.

## 2. Background

- 2.1 Recent evidence of economic growth in the North of England led to various discussions between Local Authorities, Stakeholders and government on the need to improve the rail infrastructure in the North of England to allow the greatest benefits to be realised. Evidence shows the importance of rail in supporting this economic growth.
- 2.2 Committed Infrastructure improvements by Network Rail, including the Northern Hub and electrification schemes, coupled with the re-franchising of Northern and TransPennine means that this is a period of significant opportunity for the North of England rail network.
- 2.3 Rail North's strategic case for devolution is based on meeting future growth and the need for reinvestment in enhancements and capacity to mitigate issues such as crowding<sup>1</sup>. Recent work for Rail North suggested the increased regional economic performance through addressing rail overcrowding could be as much as £0.9bn per annum<sup>2</sup>, but that rail is currently under performing in the North of England in contrast to where rail services and investment has been devolved elsewhere.
- 2.4 In March 2012, DfT began a 16-week consultation<sup>3</sup>, closing on 28 June 2012, seeking views from stakeholders on the principle of decentralisation, what responsibilities could be devolved and how it might be carried out.
- 2.5 The key points from the consultation responses are:
  - 70% of responses expressed support for the principle of decentralisation and for it taking place in certain areas under certain circumstances;
  - There is no one-size-fits-all model of decentralisation that could be applied in all areas of England; and
  - Concern was expressed about a number of key issues:
    - democratic accountability across boundaries;
    - the level of risk and funding that is to be transferred by central government;
    - balancing the interests of all rail users in any devolved arrangement: freight, long-distance and operators of non-devolved services; and
    - the scope of genuine power and influence that a devolved authority might have with respect to other key stakeholders such as Network Rail and train operating companies.
- 2.6 A number of LTAs expressed an interest to DfT about discussing devolution of rail services in the North of England and a commitment to develop a Long Term Rail Strategy. This group saw that the coherent approach the North had taken to making the case for the full Northern Hub improvements had led to clear priorities and a powerful proposition; they sought to mirror this best practice. The initial propositions ultimately led to the creation of Rail North which is formed from LTAs across the North of England.

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<sup>1</sup> Rail North (September 2013) *Rail Devolution for the North of England*

<sup>2</sup> KPMG (2009) *Value for Money from tackling overcrowding on Northern city rail services*, unpublished

<sup>3</sup> The Department for Transport (March 2012) *Rail Decentralisation: Devolving decision-making on passenger rail services in England*

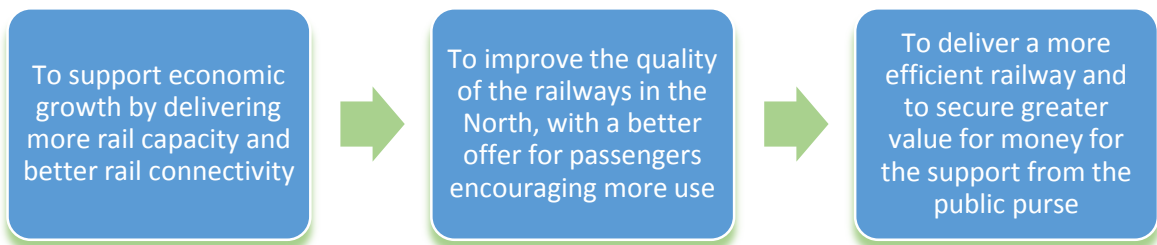
2.7 In February 2013, Rail North met to discuss the development of a strategy for the North of England. Following this and extensive discussions with DfT about Rail North, a proposition and business case was produced and presented to the Secretary of State in October 2013. This case was used to underpin the joint working of DfT and Rail North in the quasi-partnership whilst delivering the re-franchising of Northern and TransPennine.

### 3. Rail North Vision and Objectives

3.1 Rail North strives to deliver stronger North of England prosperity in line with its vision:

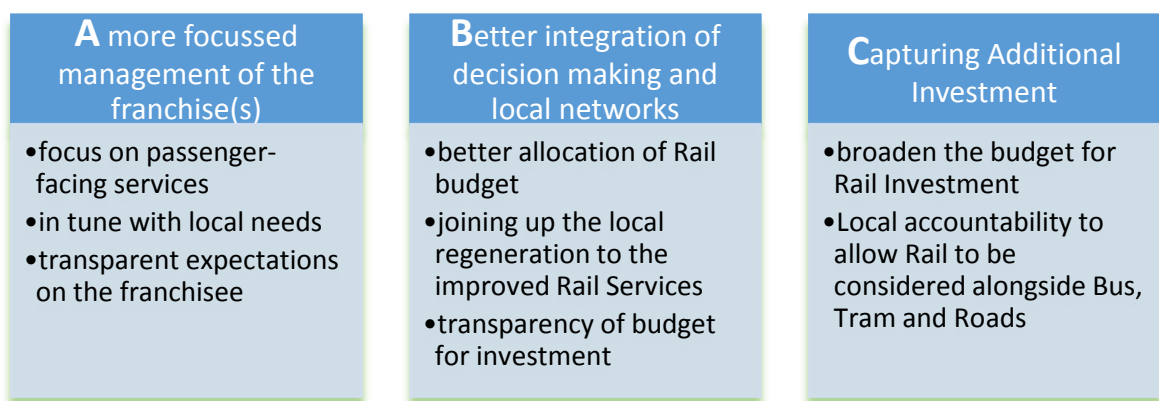
To create a world class railway for the whole of the North, recognised by passengers and businesses as serving their needs, that supports economic growth and is both more effective and more efficient.

3.2 Alongside this vision sit three over-arching objectives for devolved rail services in the North of England:



3.3 Rail North considered previous examples of devolution, in Merseyside, London and Scotland and their methods, which helped to secure significant improvements and generated additional benefits. This aided Rail North in shaping the three objectives which underpin its approach and formed the basis of interaction with DfT.

3.4 The proposition created by Rail North illustrates its belief that a devolved franchise can deliver better services to users through: closer and more focused management of the franchise; a closer connection to investment and communities; and providing opportunity to lever additional investment through flexibility of revenue.



#### 4. Rail North's Long Term Rail Strategy (LTRS)

- 4.1 Alongside the development of this proposition Rail North has developed tangible objectives and targets for the development of rail in the next 20 years to support economic growth. The LTRS brings together LTAs across the North of England, the rail industry and wider stakeholders, including Local Enterprise Partnerships (LEPs), who support its recommendations.
- 4.2 The development work started in August 2012 and the strategy has now been endorsed by the Leaders of the Rail North Authorities. It informs the business plan for Rail North, and provides a key steer on what Rail North envisages the new Northern and TransPennine Express franchises should deliver; particularly around the growth of the economy and the important role rail can play in its development. The LTRS is supported by three over-arching objectives:
- Supporting sustainable economic growth;
  - Enhancing service quality, improving the appeal of rail and, by encouraging more rail use, reducing the environmental impacts and carbon emissions; and
  - Improving efficiency, reducing the cost per passenger and per tonne of freight carried.
- 4.3 In line with the above objectives Rail North has set out the four 'Cs' which are the key themes of the Strategy; they are summarised below:

Connectivity	Capacity	Coherence	Cost effectiveness
<ul style="list-style-type: none"> <li>• Targeted improvements to journey times</li> <li>• Improved frequencies</li> <li>• Faster end-to-end journeys</li> </ul>	<ul style="list-style-type: none"> <li>• On trains to tackle overcrowding</li> <li>• On track to meet additional demand for passenger and freight</li> </ul>	<ul style="list-style-type: none"> <li>• A more coherent and user friendly network</li> <li>• Defined categories of train services</li> <li>• Simpler fares</li> </ul>	<ul style="list-style-type: none"> <li>• Lower running costs for freight and passenger services</li> <li>• A more efficient network</li> </ul>

- 4.4 This LTRS acts as a tool to influence not just the current franchises but other franchises which do and will interact with the North of England. Furthermore, the content of investment propositions can be used to influence the Rail Industry Planning Process and future rounds of the High Level Output Specification (HLOS) to ensure the best possible outcomes are specified and committed for the North of England in line with the LTRS.

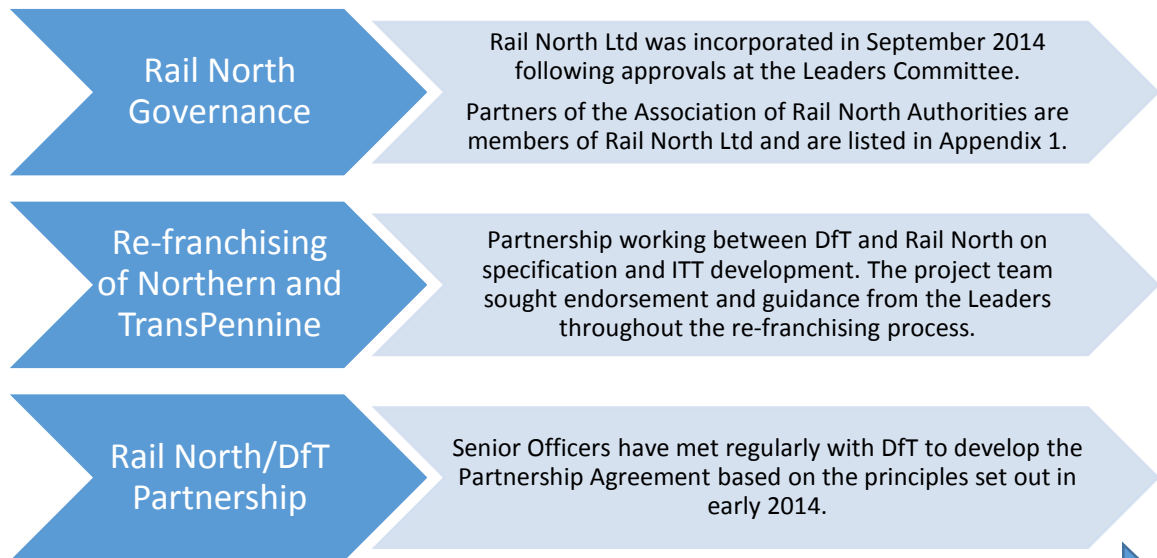
#### 5. Partnership Principles: January 2014

- 5.1 In November 2013, the Secretary of State for Transport confirmed his support for the principle of devolution of decision-making on rail services across the North of England. Initially DfT and Rail North would work in partnership to further the proposals from Rail North, including the LTRS, their business case and structure for decision-making in the North. Secretary of State, Rt. Hon. Patrick McLoughlin MP stated that this partnership would cover the Northern and TransPennine re-franchised services, to be jointly designed

- and managed. Furthermore, a Joint Rail North/DfT Officials Group would develop the detail of the partnership for their approval in early 2014.
- 5.2 In January 2014, the Secretary of State and Rail North Leaders agreed the objectives and principles of their Partnership. The shared objectives that will underpin the partnership include:
- Growing the railway to maximise the benefits of infrastructure investment and linking this to railway efficiencies;
  - Having a platform for determining investment priorities within the Partnership;
  - Risk and reward sharing between members of the Partnership, including the potential for revenue or profit-sharing mechanisms that could allow reinvestment into rail services ; and
  - A partnership structure that allows the balance of risk to change over time.
- 5.3 The principles of joint working during the design and procurement of projects, and letting of the franchises will include:
- Full and open disclosure between DfT and Rail North (subject to any confidentiality obligations which apply and the need for confidentiality agreements);
  - Collaborative design of franchises, recognising the Secretary of State’s responsibilities including securing affordability and value for money;
  - Remaining consistent with the Government’s response to the Brown Review of Rail Franchising;
  - Joint decisions on the arrangements for a single integrated partnership structure to manage the franchises; and
  - A common programme and oversight structure.
- 5.4 It was set out that the Joint Officials Group would oversee the development of the Partnership; both during the re-franchising process, with support from other joint groups containing Rail North and DfT representatives, delivering specification, commercial and the programme, and the partnership post the letting of the Northern and TransPennine franchises.
- 5.5 Following the commencement of the Franchises there would be a formal integrated partnership structure with substantial decision making authority between Rail North and DfT. This Partnership will take on substantive franchise management responsibilities at the point at which the new franchise contracts come into force, as a step towards full devolution.
- 5.6 Work has progressed between Rail North and DfT, throughout 2014 and early 2015, in line with the objectives and principles of the Partnership.

## 6. Rail North's Project Team and establishing Rail North Limited

### 6.1 Three main workstreams were initiated by Rail North at the same time in early 2014.



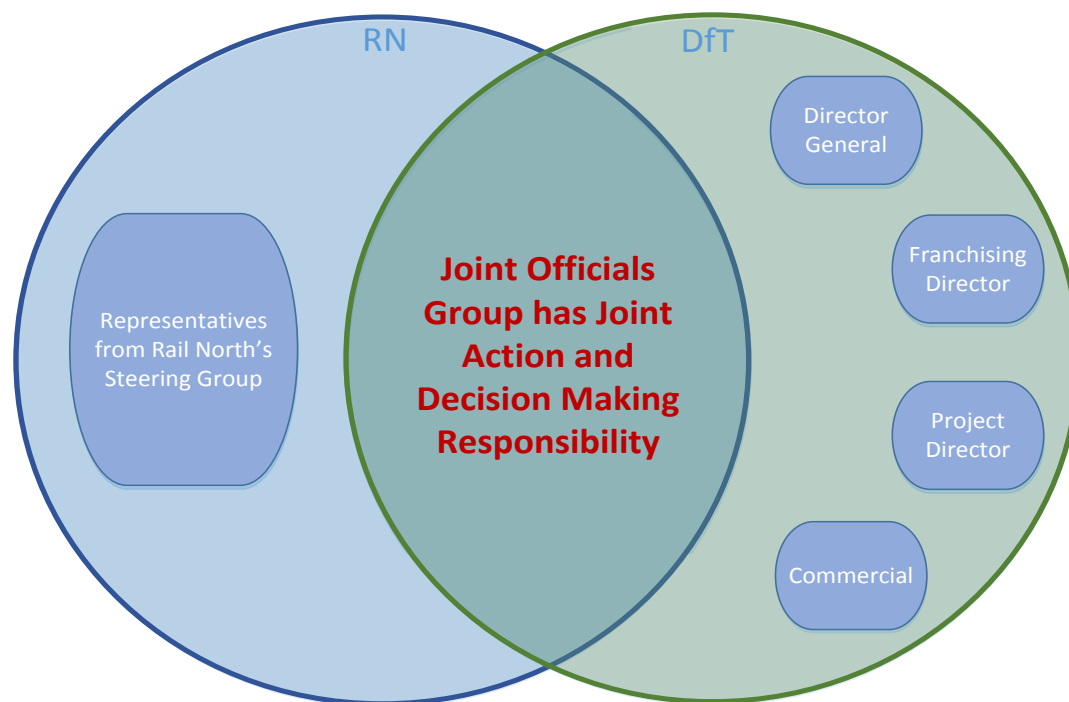
The Leaders of Rail North Authorities have provided political guidance to the project team; moving forward their position will be formalised through the full establishment of Rail North Ltd and the Rail North/ DfT Partnership.

- 6.2 Rail North Ltd engages with all of its constituent LTAs at Partner Engagement Meetings, which are held regularly. These meetings ensure that local Officers are fully briefed on developments within Rail North Ltd and they have the opportunity to partake in discussions relevant to ongoing work. A weekly update email is also circulated to all Partner Authorities.
- 6.3 The Rail North Project Steering Group is made up of senior officers from representative Passenger Transport Executives (PTEs), Combined Authorities (CAs) and LTAs across the geographic regions of the Rail North Ltd Members. This group makes decisions on the development of the Rail North / DfT Partnership, Rail North Governance arrangements, and specification work being undertaken jointly by Rail North and DfT on the Northern and TransPennine franchises.
- 6.4 The Rail North Project Management Group has a more technical role and has worked closely with DfT on the development on the ITTs for the two franchises. Like the Steering Group, it is formed of representatives from various PTEs, CAs and LTAs across the North of England.
- 6.5 These inclusive working arrangements between the PTEs, CAs and LTAs of the North of England have ensured that, unlike in previous franchising rounds, the knowledge and experience of representatives from all LTAs in the North of England have contributed to work undertaken to determine the future of rail services in the North of England.
- 6.6 The clear structure of escalation within the project team has ensured that a clear and unified North of England position has been presented to DfT and to other stakeholders; to the extent that there have been any differences of view within the Rail North project team, an appropriate escalation procedure, which all Local Authorities are signed up to, has been followed and a resolution agreed.



## 7. Collaborative Structure of Initial Rail North and DfT Partnership

- 7.1 The strong partnership between Rail North and DfT is evident at all levels; from meetings between Leaders of the Rail North Authorities and the Secretary of State, steering the strategy of the Partnership, through to the regular meetings at Task Group level where joint work between Rail North and DfT has been undertaken to develop specifications and ITTs for both franchises.
- 7.2 This cohesion is fortified at the Joint Officials Group (JOG), shown in the diagram below. Senior Rail North officers meet with senior DfT officials including the Director General, Rail Executive and the Rail Franchising Director, to discuss various topics at a strategic level. Topics typically include the Rail North / DfT Partnership, the Northern and TransPennine re-franchising process, and the strategic aspirations of both parties in relation to rail services in the North of England. Akin to the strong escalation process within Rail North, JOG allows resolution of strategic Partnership issues. This monthly meeting has been vital in ensuring the strength of Rail North and DfT's relationship and the swift progression of matters associated with developing the Rail North proposition.



- 7.3 Appendix 2 is a diagram of the forums where the formal joint working between Rail North and DfT is undertaken. It highlights key forums but is not an exhaustive list of co-operation as many informal sessions have occurred through the development phase to ensure full disclosure to all parties involved.
- 7.4 In addition to the forums in Appendix 2 there is a Rail North team 'embedded' within DfT which work alongside the DfT franchise teams and other Rail North Ltd representatives involved in the procurement processes; these teams are privy to confidential information provided by DfT under the confidence, trust and strength of their relationship.
- 7.5 The joint working at every level has allowed Rail North to be more than just an important Stakeholder and to have a vital influence in the decision making process associated with the re-franchising of Northern and TransPennine. This has been clear to the extent that

Rail North Ltd representatives have been invited by DfT to join their internal approvals and governance meetings. Furthermore, DfT representatives have presented the progression of the re-franchising process to Rail North Leaders on various occasions.

- 7.6 The priorities, evidence and local knowledge of Rail North and its representative Authorities were factored into the specification process to create a transformation in rail services for the North of England; one that will promote the economy across the North of England and deliver significant improvements in rail services.

## 8. External Communications and Stakeholder Engagement

- 8.1 In respect of External Communications, Rail North and DfT have worked together to promote joint work, such as the Consultations into the new Northern and TransPennine franchises, and the announcement of the new Partnership arrangements. Typically, this involves Rail North adding a comment to a DfT-prepared release which reflects the views of both organisations.
- 8.2 Rail North then disseminates this release to its Partner Authorities, who can then prepare a local response if they are asked for one. Rail North also adds the release to its own news items on its website, although the format may be changed slightly to fit the site.
- 8.3 Rail North also helps answer Parliamentary Questions and Freedom of Information requests that are sent to DfT, mainly in relation to Rail North's structure and governance.
- 8.4 Rail North has worked in conjunction with Freshwater PA, Network Rail and PTEG to organise an All Party Parliamentary Rail in the North Group (APPG). This group of Members of Parliament (MPs) met frequently to brief Parliamentarians across the North of England on various matters concerning the Rail Industry. The current franchisees have also attended the meetings to brief the MPs on various issues on their network. This has provided great benefit to Rail North and to the franchising process as it has informed MPs across the North of England of our objectives and principles.
- 8.5 Rail North also engages a wide variety of industry and other stakeholders through meetings, attendance at key events and other means. A series of briefings are planned during early 2015 with the intention of briefing the business community through Local Enterprise Partnerships. An update will be provided at these in relation to establishing Rail North Limited, the Rail North Partnership with DfT and the work undertaken to develop the Northern and TransPennine franchise specifications.

## 9. Commercial Management

### 9.1 Procurement Process

- 9.1.1 DfT published prospectuses for the Northern and TransPennine franchises in June 2014 alongside a joint OJEU notice relating to both franchises and Pre-Qualification documentation.
- 9.1.2 The Pre-Qualification Questionnaire (PQQ) formed part of this pack and asked various technical and non-technical questions, answered by prospective bidders, which were reviewed and evaluated to establish if those organisations who responded were suitable to operate the franchises.
- 9.1.3 PQQ responses were evaluated by Rail North and DfT representatives. Rail North was heavily involved in this process and provided resource including evaluators and a Consensus Chair, who acts to manage the teams of evaluators and to ensure the evaluation is fair, reasonable and unbiased; there were three Consensus Chairs in total.
- 9.1.4 This involvement gave Rail North significant visibility of the Pre-Qualification submissions and evaluation process. It raised the profile and credibility of Rail North and successfully resulted in DfT announcing shortlisted bidders for both franchises in August 2014.
- 9.1.5 It is intended that Rail North will continue to have involvement in the Procurement Process including evaluation of bid submissions.

### 9.2 Franchise Affordability

- 9.2.1 Rail North has involved their senior finance officers in the DfT financial process of developing an estimate of the budget to be provided over the next franchise period and the emerging position on franchise affordability and Value for Money cases for both franchises.
- 9.2.2 Rail North has worked closely with DfT's finance experts and advisors throughout the re-franchising process. This has also been important for collaboration as from the commencement of the new franchise period the management will be through the Partnership of Rail North and DfT. Rail North continually pushed for a funding envelope that is adequate to fully support the North's economic growth agenda and a transformation in Rail in the North of England.

## 10. Project Management

- 10.1 Rail North has tracked the progression of the re-franchising process alongside DfT's Project Managers with regular meetings to co-ordinate works. The team embedded within DfT have ensured that any updates on this progression are shared, with DfT, Management Group and Steering Group, in a timely manner.
- 10.2 The co-ordination between Rail North and DfT in relation to planning has ensured each is aware of the others approvals and escalation processes; this has developed a strong trust in the working relationship whereby DfT have presented to the Rail North leaders on the updates of the re-franchising process and Rail North have been present at stages of DfT's internal approvals process.

## 11. Joint Rail North and DfT Consultation for Northern and TransPennine

- 11.1 DfT and Rail North worked jointly to develop the format and the content of the Stakeholder Consultation document for the Northern and TransPennine franchises. Rail North provided experience of the key issues which were important to the rail passengers in the North of England. This experience was then used to shape the content of the document and the questions asked.
- 11.2 Following the work undertaken by Rail North in the production of the Consultation Document, the Rail North Leaders' Forum on 28 May 2014 agreed a joint Rail North / DfT approach to the Stakeholder consultation exercise for the Northern and TransPennine rail franchises. Consequently, the stakeholder consultation document was published on Monday 9 June 2014 as a joint DfT / Rail North publication. This was followed by briefing sessions on the Consultations, jointly held by Rail North and DfT, across the North of England.
- 11.3 The consultation document asked for views, from stakeholders and members of the public, on a variety of specification matters affecting the public with the information to be provided to shortlisted bidders for the next Northern and TransPennine franchises. The closing date for consultation responses was Monday 18 August 2014.
- 11.4 There was an excellent response to the consultation with the overall total number of respondents reaching 21,516. All of Rail North's Partner Authorities responded to the consultation, either individually or as part of a group, alongside 31 other Local Authorities, largely from across the North of England.
- 11.5 Rail North and DfT shared the responsibility for analysing the responses and ensuring these were considered as part of the specification development work. Some of the key themes which were picked up in the responses included:
- Improving the quality of rolling stock with early withdrawal and replacement of the pacer fleet on the Northern Network as a key priority;
  - Inadequate protection of revenue and a large amount of ticketless travel;
  - Support for fares increases as long as they are linked to specific and tangible improvements in service quality;
  - Earlier and later services, improved Sunday services to better match passenger requirements and the need for direct links to Manchester Airport;
  - Specification of options should be used to ensure quality, frequency and connectivity are maintained or improved;
  - Strong support for the Community Rail Partnerships with further funding for the groups to improve station quality and safety, and station adoptions; and
  - Integration on different modes, not just physically but also in ticketing, timetabling and information.
- 11.6 Rail North and the DfT have undertaken a thorough review process to ensure that every suggestion submitted as part of the Consultation process has been reviewed by the specification teams and considered as a potential specification option.
- 11.7 This consultation process was the first of its kind, not just because it was carried out jointly by Rail North and DfT, but also because of the format of the consultation. This consultation is the first to be advertised and to use a format like SurveyMonkey; it took an evidence based approach to questioning and asked respondents to provide evidence to corroborate their responses. This allowed an understanding of the reasoning for specification options beyond the economic case and ensured the full and wider benefits were understood in more detail.

## 12. Progression from Aspirations to ITT

### 12.1 Rail North Specification Working Group

- 12.1.1 The Rail North Specification Working Group includes LTA Officers from across the North of England, including representatives covering geographic 'quadrants'. The group began work in 2013, meeting monthly, and has carried out the bulk of the technical work involved in allowing Rail North to develop its positions on all critical aspects of franchise specification. Where additional evidence has been required, consultants' reports have been procured. This technical work has allowed specific evidence and knowledge from the North of England Authorities to inform the franchise specification process.
- 12.1.2 These positions, fed into Rail North's Management Group, formed the starting-point for a wide range specification options focused on priority specification areas which have fed in to the work being undertaken in partnership with DfT to develop the specification and ITTs.
- 12.1.3 As the franchise specification process has continued through the DfT and Rail North Joint Work, the Group has continued to meet regularly as a Technical Liaison Group, in order to ensure that partner authorities continue to be aware of the technical issues being dealt with by the DfT/Rail North partnership, and that the partnership's work continues to reflect partner authorities' views. This has allowed more involvement by LTAs in the franchise specification process than ever before.

### 12.2 Train Service Requirements

- 12.2.1 Previously there has been a lack of connection between the evolution of train services and changes in the economic and demographic structures in the North of England; this has led to many inconsistencies including journey time, frequency, capacity and off-peak service levels. The strategic and economic arguments for optimising existing services will not always be fully realised under government's HLOS and therefore, Rail North has agreed aspirations by which they will work to bridge the gap to meet demand and ensure full benefits are realised across the North of England.
- 12.2.2 Those requirements for the Train Service Requirements are:
- Adequate Capacity;
  - Preserving services and developing services to meet demand, including faster journey times; and
  - Rolling Stock Quality.
- 12.2.3 A comprehensive matrix of service options was developed with input from all Northern LTAs over the last two years. An initial review of the train service options was undertaken and all the options in this Rail North detailed service options matrix have been appraised, with the exception of those options that:
- Require infrastructure investment beyond that in the Network Rail Control Period 5 Delivery Plan for 2014 to 2019;
  - Would be more appropriate as part of another franchise; and
  - Have relatively high operating costs, compared with revenue.

- 12.2.4 A list of options reflecting LTA aspirations was taken forward for option appraisal testing. The piece of work by the Rail North authorities to develop this list was vital to ensure that all have had input to the franchise specification and this input has been invaluable in shaping the final ITTs. In mind of this fundamental foundation of Rail North, the project team are providing feedback to all the local authorities that fed information into this process on how Rail North progressed their requirements in preparing the Train Service Requirements.
- 12.2.5 Further work will be undertaken on the options that were not evaluated on the basis that they require infrastructure investment beyond that in the Network Rail Control Period 5 Delivery Plan for 2014 to 2019 as part of developing a joint investment plan, as part of the Partnership proposals between Rail North and DfT. This work will also feed into the update of the LTRS planned during 2015.

Included in ITT for Northern and TransPennine
Both franchises are committed to generally maintaining or increasing the frequency of all services on their networks. This includes enhanced weekend and evening services on many routes.
Bidders are encouraged to provide additional services, to those specified, according to demand and to work with local initiatives to encourage economic growth through new routes and stations.

### 12.3 Remapping

- 12.3.1 Various remapping proposals were considered as part of the Consultation process for the Northern and TransPennine franchises. Extensive work was undertaken to consider the social, financial and economic impacts for remapping each of the lines. Rail North Leaders have asserted the need to maintain the existing service quality level on services that are transferring from TransPennine to Northern; Consultation responses also highlighted this as a key concern. The conclusions of work has resulted in the following:
- The **Cleethorpes to Manchester Airport line** is an important service for the economy of the South Humber area and the proposal to remap this to the Northern franchise would have significant impact to the local economy; therefore, this service is to remain a **direct TransPennine service**.
  - **Windermere to Oxenholme** will be remapped to Northern from the start of the franchises providing **4 trains per day** to Manchester Airport. There is also committed funding for **electrification of the Windermere branch**.
  - Effective from the start of the franchises, **Barrow-in-Furness to Manchester** will be remapped to Northern and an **additional through service to Manchester Airport will operate from December 2017**. This will mean that per day there will be **8 trains operating each way**.
  - **Blackpool to Manchester** will also be remapped from the start of the franchise to Northern, providing longer electrified trains from March 2017 to both Liverpool and Manchester.

- **Cleethorpes/Grimsby to Barton-on-Humber** will be transferred to **East Midlands Trains** franchise when it is re-let in 2017.
- A decision on the remapping of **Scarborough to York** will be deferred until there is a clearer schedule and output for the electrification plans.
- **Liverpool to Norwich** is not currently being remapped; however, the TransPennine bidders will be asked to work with stakeholders and the public to develop an acceptable proposal for all parties to this remapping suggestion.
- **From 2017 the TransPennine service from Liverpool to Manchester will run through Newton-le-Willows instead of Warrington Central**; this will allow for a regular two trains-per-hour to Leeds. Northern will operate a replacement service to Warrington Bank Quay and Central Manchester to allow a direct service to Leeds to continue, originating from Liverpool Lime Street.

## 12.4 Rolling Stock

12.4.1 Rail North's requirements for Rolling Stock were outlined in the LTRS and are summarised below:

- Provide additional trains with adequate quality and capacity to meet the demand of passenger expectation and usage;
- Provision of electric rolling stock to operate on newly electrified lines;
- Replacement of pacers; and
- Refurbishment of existing trains.

12.4.2 Rail North developed a strategy on Rolling Stock; the key conclusions of that strategy work are:

- There is a need for a substantial volume of additional rolling stock vehicles to meet the growth in capacity and connectivity aspirations set out in the LTRS. A substantial volume of rolling stock vehicles would be required with roughly 50% increase for connectivity and 70% increase for capacity
- There is a very strong economic case to deliver additional rolling stock and improve rolling stock quality with a possible benefit to cost ratio of 8:1, although additional financial support will be required; and
- There are future opportunities to procure new rolling stock in a more cost effective way as Rail North can access finance at about 30% cheaper than the commercial rate.

12.4.3 Research undertaken by Passenger Focus in 2012 identified improvements to Rolling Stock quality and capacity as the most important priority for passengers. DfT's standard policy is to not intervene in the Rolling Stock market.

12.4.4 Prior to the commencement of work on the Northern and TransPennine franchises, Rail North, with assistance from Grant Thornton and SDG, explored Rolling Stock and potential avenues for funding through their Rolling Stock Project Board. The aim of which was to ensure a step-change in the Rolling Stock quality. Due to Rail North's previous work, it was decided that Rail North would take the lead on the Fleet/Rolling Stock work with involvement from DfT.

- 12.4.5 Rail North led on work by the Rolling Stock Task Group, developing reports on capacity requirements and demand forecasting for the Northern and TransPennine franchises. These reports showed a strong growth in demand throughout the franchise term and without specification it was likely that severe overcrowding would increase across the two networks. Another factor which Rail North Partner Authorities felt strongly should form part of the specification, and was mirrored by DfT, was the removal of Pacers from the Northern franchise.

Included in ITT for Northern and TransPennine
<p>TPE –</p> <ul style="list-style-type: none"> <li>Operate modern, comfortable and reliable rolling stock to meet strict National Rail Passenger Survey (NRPS) targets. The facilities must meet the standards of a long-distance inter-city service; including Wi-Fi, tables for 90% of seating, adequate luggage space and air conditioning.</li> <li>Must have sufficient rolling stock, suitable to meet needs of passengers and to meet high standards of cleanliness.</li> </ul> <p>Northern –</p> <ul style="list-style-type: none"> <li>120 new build vehicles will be required to be procured by the new franchisee for use on non-electrified routes.</li> <li>There will be required of the franchisee a transformation of existing Northern rolling stock such that it will be comparable to new or nearly-new stock. It provides facilities as such would be reasonably expected for a medium or short term journey.</li> <li>Pacers will be completely phased out by 2020.</li> </ul>

## 12.5 Capacity

- 12.5.1 The current franchise for Northern was let on a no-growth basis which has led to gaps in demand and capacity, where peak loadings exceed the capacity of the rolling stock on many routes and crowding on the TransPennine and Northern network is severe. The capacity requirements for the new franchises have been assessed on a route by route basis with extensive input by Rail North.
- 12.5.2 The forecast demand data used by Rail North indicated that a growth in demand required intervention, for both train services and rolling stock. Rail North’s position was to focus on the worst overcrowding across the two networks. A capacity monitoring regime, that penalised failure to provide planned capacity, has been developed for both franchises.

Included in ITT for Northern and TransPennine
Capacity to meet Rail Executive standards by 2019, which state that passengers should not be required to stand for more than 20 minutes once boarded, and meet demand whilst providing reasonable standards of comfort for passengers.



## 12.6 Performance

- 12.6.1 Performance is subject to rail industry targets identified in the HLOS and regulated by the Office of Rail Regulation (ORR). Public Performance Measure is the national mechanism for Performance; this measures the number of trains reaching their final destination 'on time'. On time is defined as within five minutes for regional, London and South East trains, and within ten minutes for long distance trains.
- 12.6.2 Rail North's position is that operators should be incentivised to address the causes of delays, and to mitigate against future delays by addressing the poorest performing services. Rail North and DfT evaluated performance measurement benchmarks to establish which best incentivised the franchisee to continuously improve against the performance targets.

Included in ITT for Northern and TransPennine

Performance benchmarks are set out in the franchise agreement for both franchises; they are ambitious and focus on how the franchisees will manage the effect of infrastructure improvements to the performance of the networks.

## 12.7 Fares

- 12.7.1 DfT's National Fares Policy is that regulated fares can rise annually by RPI+1% with a maximum flex on any individual fare of 2%. This was revised in January 2014 and continued in January 2015 to RPI+0% with a flex on an individual fare of 0%. Rail North's requirements on Fares from the LTRS are summarised below:
- Limit or eliminate moves to increase fares as a means to reduce subsidy;
  - Identify where the propositions in the LTRS on fares simplification can be implemented;
  - Delivery at the earliest opportunity of SMART across the North of England;
  - Secure commitments of participation in existing and new ticketing schemes across the North of England; and
  - Ensure improved Revenue Protection features as a priority in the new Northern franchise.
- 12.7.2 The Fares Task Group was led by Rail North, which ensured options which align with Rail North's requirements were included in the option testing. This led to a detailed analysis and a broad spectrum of options on Fares policy, Ticketing, Revenue Protection and Multi-modal ticketing. During this period of option testing it became apparent that there are constraints, including national fares policy, timescales and resourcing, which prevent the restructuring of the existing fares baskets.
- 12.7.3 With this in mind Rail North and DfT jointly considered how to overcome these constraints to achieve the requirements of DfT and Rail North.

Included in ITT for Northern and TransPennine

The ITTs are intended to create a consistent approach to fares across the North of England allowing passengers to have more confidence that a similar quality and distance journey will equally have a similar fare.

## 12.8 Stations

- 12.8.1 Across the North of England there is substantial variation in the levels of quality and facilities at stations; these are often found to be inconsistent with the demand levels at the stations and with the functions they serve. Rail North identified a need to preserve work carried out by local authorities and Community Rail Partnerships (CRPs) while achieving better prioritisation, planning and delivery; they also sought a greater role in the allocation of funds.
- 12.8.2 Rail North Partners gave information to compile a comprehensive matrix of present-day station facilities across the North of England. Rail North then developed a set of deliverable and consistent target minimum standards, known as Station Quality Standards (SQS), for station facilities by reference to the stations' usage levels and functions. Comparing these standards to the present-day station facilities matrix allowed Rail North to develop a clear set of priorities for upgrading station facilities. With these priorities in mind it would then be possible for local authorities and CRPs to enhance the scope of works through additional funds and community involvement.
- 12.8.3 In addition, it was important to Rail North to ensure that the smaller and medium sized stations are effectively maintained as well as the larger stations. The specification teams worked to analyse approaches which would ensure that stations were kept in acceptable condition, and were maintained in a cost-effective and sustainable manner with regard to the long life of most station assets.

Included in ITT for Northern and TransPennine

Stations Improvement Fund of at least £30m and will be categorised for investment to small, medium and large stations.

There is also funding available through the Customer and Communities Improvement Fund (CCIF). For Northern this will be set at £2.3m from the 4<sup>th</sup> year of the franchise. For TPE it is set at £700,000 per year from the start of the franchise to ensure investment is continued through the full length of the franchise.

## 12.9 Marketing and Branding

- 12.9.1 The previous position taken by DfT on branding is for the operator to have discretion; this has increased the variation of application of branding and marketing to the franchise assets and collateral. Rail North favoured long-term branding which would increase cost efficiency and enable a trust in the brand to be established in Rail in the North.

Included in ITT for Northern and TransPennine

Franchisees are expected to work with local stakeholders on initiatives to encourage growth of patronage and to develop a strong identity within the market place to limit de-branding at the end of the franchise term.

## 12.10 Customer Experience / Service Quality

- 12.10.1 The Northern franchise involves a large portfolio of stations of varying sizes and usage levels together with an extensive mixed fleet of rolling stock. Rail North is keen to ensure that the franchisee deploys effective facilities and fleet management arrangements to maintain a positive experience for the customers using the trains and stations. An efficient quality assurance regime is a key component in ensuring stations and trains are provided to an acceptable customer service standard.
- 12.10.2 Most rail franchises base quality assurance on feedback from customers responding to the National Passenger Survey. Rail North felt strongly that, given the scale and complexity of the Northern franchise, a structured approach to quality assurance was necessary. The current and previous Northern franchises involved an inspection based regime and there is expertise in managing these arrangements amongst the Rail North partners.
- 12.10.3 Rail North desired a Service Quality Regime which was transparent, efficient and Value for Money; Rail North and DfT colleagues have worked closely to devise a service quality regime for inclusion in the new franchise which it is hoped will be both efficient and effective. This will involve periodic inspections of trains and stations to ensure they are meeting standards of cleanliness and maintenance together with aspects of customer service such as accurate information and signage.

Included in ITT for Northern and TransPennine
Both franchisees will be required to provide free Wi-Fi on every train, where train-to-internet coverage is available, by the end of 2019. There will also be improvement targets for customer satisfaction levels placed on both franchisees as well as stringent NRPS targets.
For Northern a service quality regime will be in place, providing a financial incentive for the new franchisee to ensure that the train fleet is maintained in excellent condition, and to a high standard of cleanliness, throughout the operating day.

## 12.11 Community Rail

- 12.11.1 The Community Rail Development Strategy (CDRS) was the basis for the 18 CRPs across the North of England. It was assumed that the role of the CRPs would continue for the next franchise but the security of their funding was a major concern for Rail North. Rail North also wanted to develop how the CRDS would flow through and be recognised by the devolved organisation of the partnership.
- 12.11.2 The work on Community Rail took three distinct paths:
- Rail North provided representation on the National Community Rail Steering Group, which is a DfT chaired body; Rail North worked with ACoRP and DfT to understand how Community Rail could be represented through the Partnership. This work led to Community Rail forming part of the proposition to Government for Devolution in 2012 and the Memorandum of Understanding for the Rail North and DfT Partnership to begin in 2016; and

- Joint work on the re-franchising of Northern and TransPennine to ensure that Community Rail has been given prominence in the new franchises and that both franchises will make a substantial and long-term commitment to Community Rail.

Included in ITT for Northern and TransPennine
Northern will be required to financially commit to £500,000 per annum for the CRPs on its network which will go towards various areas; including, marketing, development of stations as community hubs and working with volunteers.
TPE is required to engage with CRP initiatives and to be proactive with CRPs who connect with the lines on which they operate.

### 13. Securing a Transformation in Rail Services in the North of England

- 13.1 Rail North and DfT have worked together at every level allowing Rail North and its Partners to influence the outcomes of the Northern and TransPennine franchises. Transparency and sharing of information, alongside an open and honest relationship, has ensured development of ITTs that reflect a transformation in rail services. Specification options were reviewed jointly by Rail North and DfT at frequent Joint Workshops, involving senior Rail North officers, to shape and determine final specification.
- 13.2 Throughout the whole process Rail North has strived to ensure its Partners, Stakeholders and local community are kept as informed as possible and provided opportunity for them to contribute to ongoing work. This has ensured their knowledge and experience has fed through into the ITTs. Rail North’s engagement with its Leaders and local MPs, through the APPGs, has strengthened the political engagement with government leaders on the development of the rail network in the North of England to support the forecast economic growth.

### 14. Franchise Agreement

- 14.1 The franchise agreements for Northern and TransPennine will be between the Secretary of State and the Train Operating Company; there will no longer be PTE and CA Cosignatories for Northern. The Partnership Agreement between Rail North and DfT will set up a single management body consisting of staff from Rail North and from DfT to manage both franchises.

## 15. Lessons Learned

- 15.1 Reflecting on this period of joint working Rail North have selected some key principles which have helped to create a strong working relationship between Rail North and DfT and within the Rail North community. Rail North intends to take these forward as principles for Rail North Limited and its Partnership with DfT. These comprise:



- 15.2 Below and overleaf are some case studies which demonstrate these principles in action:

### The North East Business Unit

The North East Business Unit has been a particularly successful area in which Rail North has influenced the shape of the Northern and TransPennine franchises. The North East's aspirations are to create a geographically focussed management unit within the Northern franchisee, bringing a higher degree of management focus on the operation and development of services in the area. This would be complemented by a local 'client' side structure, with appropriately devolved powers from the RN/DfT Partnership.

The RN team embedded at DfT facilitated and supported direct contact with DfT's specification lead which strengthened the ability to work together with the DfT in defining the requirement and the subsequent translation into the ITTs. The draft ITTs currently require bidders to provide management focus on the delivery and development of services in the North East, as well as providing geographically specific passenger information and branding, and distinct Marketing planning.

Rail North has given authorities the opportunity to share a vision and a strategy, and a united voice through which to share our aspirations. Locally, the workstream has inspired authorities to examine their own local and regional rail strategies. The Rail North proposition allows us to benefit from economies of scale and collate and build upon significant local knowledge in the North of England.

## Community Rail

Community Rail has been a success story with 18 CRPs already established across the Rail North area covering a range of lines from rural, cross country and inter-urban. Of these, 16 have been formally designated by the DfT as either community rail lines and or services. A recent study (*The value of CRPs and the value of Community Rail Volunteering*, Dec 2014, Transport Regeneration Ltd) commissioned by the DfT's National Community Rail Steering Group, on which Rail North is a member, has confirmed the added value that Community Rail brings to their lines and communities.

A fundamental issue facing many CRPs across the north is security of funding. All local authorities across the region are facing budget pressures which affect their ability to maintain the same level of support to CRPs in their areas.

The close working relationship established between Rail North, ACoRP and the DfT, enshrined in the Memorandum of Understanding, has ensured that Community Rail has been given a high profile in the drafting of both the ITTs for the Northern and TransPennine franchises. Work carried out by ACoRP for Rail North established the level of core funding required to support CRP activity.

However, Rail North has been able to secure other potential benefits for Community Rail through the ITTs, including the improvement of stations through the Station Improvement Fund and the Customer and Communities Improvement Fund which could potentially be used to facilitate the development of 'stations as community hubs'. A paper developed jointly by Rail North stations working group and ACoRP develops this idea in more detail and has been made available to bidders.

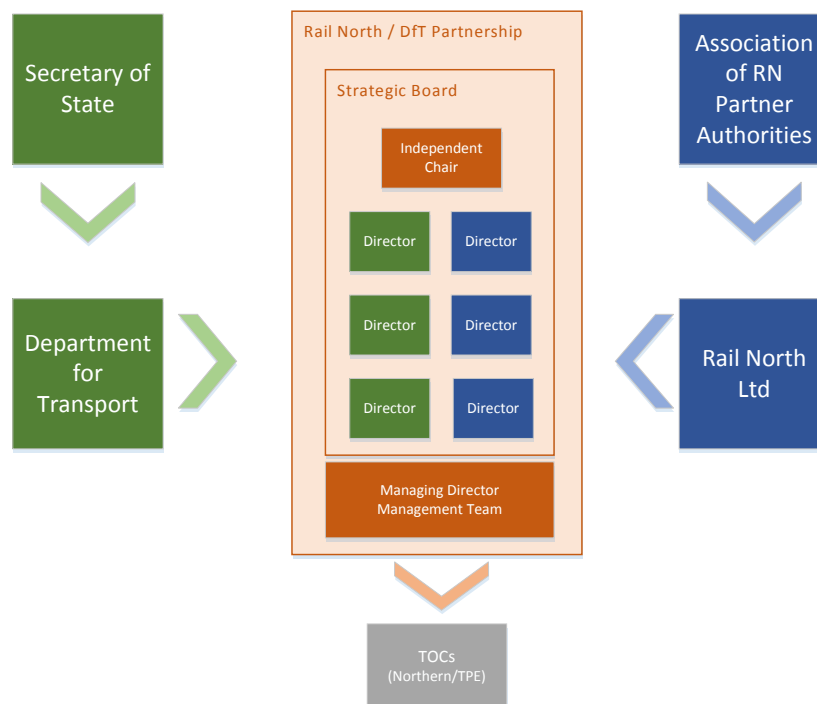
This case study illustrates the positive impact Rail North is having on the development of community rail and CRP's across the north of England.

## 16. Look Ahead: The Rail North/DfT Partnership

- 16.1 In the previous Northern Franchise, Combined Authorities and Passenger Transport Executives co-signed the franchise agreement between DfT and the franchisee.



- 16.2 In October 2014, Rail North and DfT entered into a Memorandum of Understanding concerning how the new Northern and TransPennine franchises will be managed by both bodies in partnership. The Rail North Partnership will comprise a small team of Rail North and DfT staff who will ensure the franchisees comply with the terms of the franchise. During 2015, the Rail North Partnership team will be assembled and based in the North in readiness for the award of the new franchises in late 2015 and their commencement early in 2016.
- 16.3 The Rail North Partnership will comprise a Strategic Board made up of senior officers from Rail North member authorities and DfT with an independent chair. The Strategic Board will oversee a Management Team comprised of DfT and Rail North officers engaged in the process of franchise management.



- 16.4 The Partnership will also manage the process of altering or enhancing the services and facilities provided under the franchises; such as additional rolling stock, increased frequency and new stations. Where Transport Authorities are seeking to fund or sponsor changes, the Partnership will lead on negotiations with the franchisees and the process of implementation. The Partnership will be the link between Rail North and the national processes for investment and the setting of regulated train fares.

- 16.5 The Memorandum of Understanding sets out a process whereby the capacity and capability of Rail North to oversee the local rail network is developed during the period of the forthcoming franchises. If Rail North can demonstrate the capacity and capability to manage subsequent franchises, then the power to do so will be devolved from central government to Rail North. The Rail North/DfT Partnership is therefore a transitional arrangement from the current position whereby the process of franchise management is carried out from London to a position where the local rail network is wholly managed in the North.
- 16.6 It is Rail North's ultimate aim that after this transition period it will have devolved powers and operate as shown below.



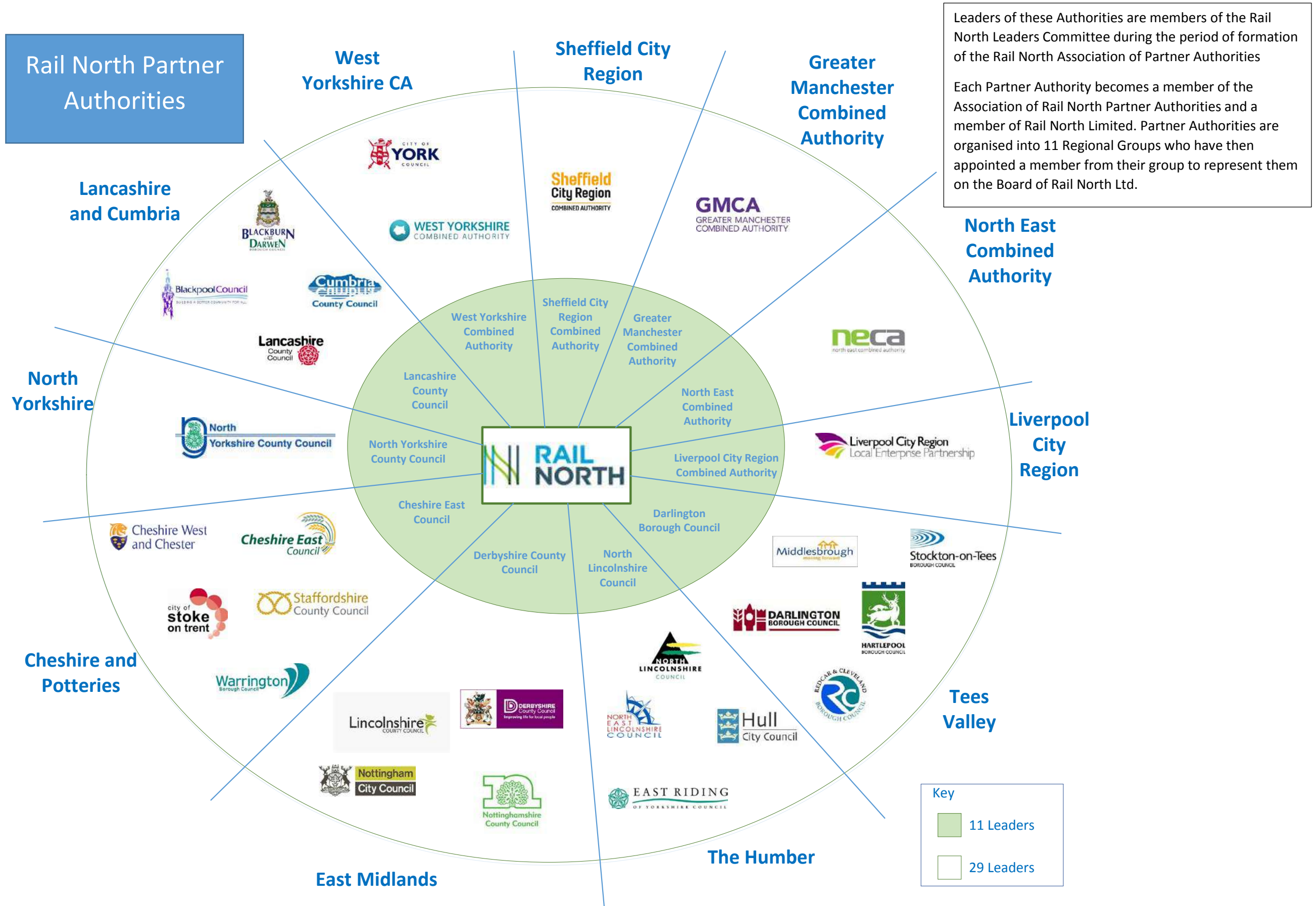
## 17. Look Ahead: The Association of Rail North Partner Authorities and Rail North Limited

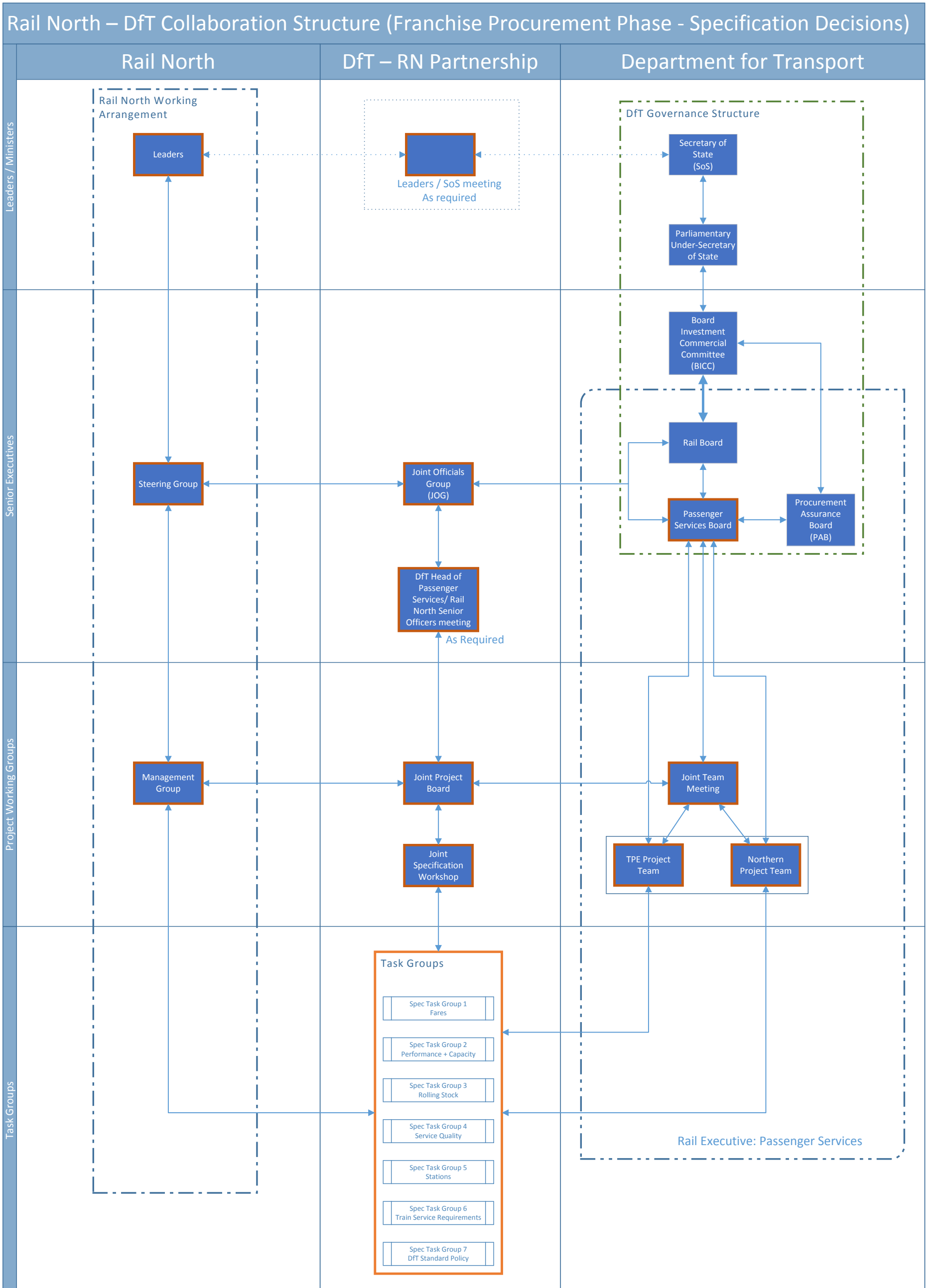
- 17.1 Rail North will continue its work within the three workstreams established in early 2014, as set out in Appendix 3. Those workstreams comprise; the finalisation of Rail North governance arrangements, the Rail North/DfT Partnership and the re-franchising of Northern and TransPennine.
- 17.2 Rail North will continue to work jointly with DfT on the re-franchising of Northern and TransPennine and the creation of the Rail North / DfT Partnership throughout 2015. It is expected that all processes will have taken place for there to be appointment into key Partnership roles by the time the franchises are awarded and a functional Partnership will be in place for franchise commencement.
- 17.3 The Association of Rail North Partner Authorities and Rail North Ltd will continue to liaise with their local authorities and communities to progress Rail North's aims and objectives and to feed information into the Partnership with DfT. A review of LTRS is also planned during 2015.

## 18. Summary

- 18.1 Following the agreement of Partnership principles with the Secretary of State in January 2014, Rail North has continued work to ensure the best possible foundations are set for the North of England's future rail network.
- 18.2 The publication of the ITTs for the next Northern and TransPennine franchises reflect that work and the continuing involvement of Rail North in the re-franchising process. This, alongside further development of the Rail North/DfT Partnership, the Association of Rail North Partner Authorities and Rail North Limited will cement a future for rail in the North of England that will support the growing economy and truly contribute to a transformation in rail service provision.





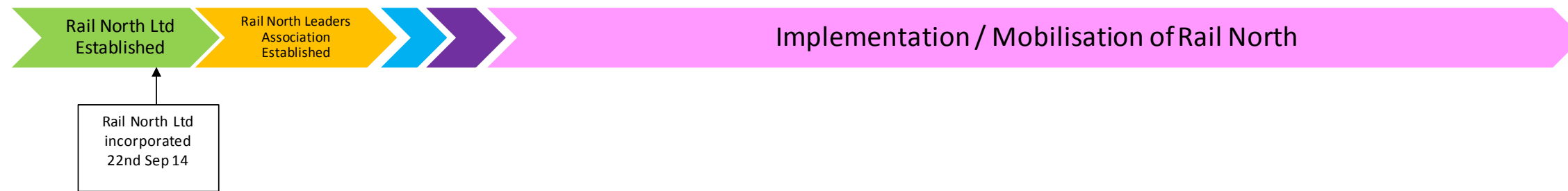




### Key Programme Dates



### Rail North Governance



### Rail North / DfT Partnership



### Re-franchising

