

Reforming Our Railways: Putting the Customer First

April 2012



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In March 2012 the Department for Transport published the above named Command Paper. It sets out the Government's vision for the railways, alongside the objectives and policies that are needed to realise that vision.

It applies to England and Wales – setting a strategy for Scotland being a matter primarily for the Scottish Government.

The document has two core themes: how to make life better for passengers and how to reduce the demand on taxpayers. It is part a response to the 'Rail Value for Money' (McNulty study¹) and part 'direction of travel' for the High Level Output Specification² (HLOS) expected later this summer. This was not a consultation document but several of the themes are covered in two additional consultation papers published at the same time: one on fares and ticketing and one on devolution/decentralisation.

The full Command Paper can be found at:

<http://assets.dft.gov.uk/publications/reforming-our-railways/reforming-our-railways.pdf>

What follows is a brief summary of the document. Its aim is to give a flavour of some of the core issues from a passenger perspective rather than provide a detailed analysis of the issues or a synopsis of Passenger Focus's own opinions.

Chapter 1: Introduction

This sets out the wider context surrounding the Paper and its objectives; it also outlines the Government's vision for rail and existing investment commitments.

Chapter 2: A better deal for passengers

This chapter sets out how rail reform can make life better for passengers. Key areas include:

a) *Fares and ticketing*

The document includes:

- A commitment to end inflation-busting fare increases but only once the impact of cost saving measures and improvement in the wider economic situation permits.

¹ <http://www.rail-reg.gov.uk/server/show/ConWebDoc.10401>

² Under Schedule 4 of the 2005 Railways Act, the Secretary of State for Transport (for England and Wales) and Scottish Ministers (for Scotland) are obliged to send to ORR a high level output specification (HLOS) and a statement of funds available (SoFA), to ensure the railway industry has clear and timely information about the strategic outputs that Governments want the railway to deliver for the public funds they are prepared to make available.

- Strong Government support for the introduction of smart ticketing technology, such as smart cards. This is seen as instrumental in tackling industry costs, managing demand and making travelling by rail more attractive to passengers.
- Recognition of the need for a more user-friendly ticketing system that communicates fares information to passengers in a straightforward way, so that they can confidently select the most appropriate fare for their journey. A good part of this is the need to increase passengers' confidence in using ticket vending machines and the internet.
- The need to review existing regulation. The argument is that technology is changing the way that people buy tickets and that regulation (which is still firmly rooted in ticket office opening hours) needs to evolve to reflect this. When coupled with the strong message in the original 'McNulty' report about staff costs it is easy to see why this has been interpreted as a threat to existing levels of ticket office opening hours and station staffing. Government does, however, state that it would need to be confident that passengers enjoy ready access to ticket buying opportunities before making any changes. Passenger Focus's own research shows that there is still a long way to go before passengers enjoy such ready access – it also shows that passengers value staff, not just as a means to buy tickets but as a source of information and reassurance.
- Government believes that there may be a case for aligning fares more closely with the more efficient usage of the network. They reject the idea of 'pricing-off' demand but do want to look at spreading demand – i.e. using fares to incentivise travel at less busy periods. They ask whether passengers who do not travel on the busiest services should be rewarded while those who do should pay more over time by comparison. This is something addressed in considerably more detail in the accompanying consultation on fares and ticketing³.

This use of the 'carrot-and-stick' is one of the biggest potential changes for passengers. While we believe that using fares to reward passengers who travel at less busy times is sensible we question the use of the 'stick' to penalise those who travel at peak times. At the heart of the problem is the extent to which commuters genuinely have control over when they travel. This is something Passenger Focus will address in detail as part of its own submission to the fares and ticketing review.

b) Improving performance

The document:

- Recognises the importance passengers place on punctuality and reliability but accepts that there is a balance to be struck between performance, engineering work required to upgrade and renew the railway and other passenger priorities. Government will address this further in the targets set in the HLOS publication later this year.

³ Rail Fares and Ticketing Review: Initial consultation <http://assets.dft.gov.uk/consultations/dft-2012-09/main-document.pdf>

- Emphasises the importance of keeping Sunday services running and in reducing the use of bus substitution.

c) Specifying to meet passenger interests

The document:

- Advocates giving operators more room to respond to changes in passenger demand – e.g. through more flexible franchise specifications. However, there will still be some mandatory targets on reliability/punctuality. There is also a commitment to ensure that different locations remain adequately served (i.e. services that don't have a commercial business case but which provide other social benefits may still be specified).
- Emphasises the importance of including service quality commitments in rail franchises – they cite the setting of passenger satisfaction targets in the West Coast franchise as an example. This is something that Passenger Focus strongly supports.

d) Devolving decisions

This is developed in much more detail in an accompanying consultation paper⁴. At its core is the proposition that devolving decision-making powers from central to local government gives local, democratically accountable bodies a greater say over local services, allowing a stronger input from local passengers than may occur with central and more remote decision-making. However, Government also acknowledges the need to ensure that the interests of different passenger groups in different geographical areas were going to be appropriately protected.

Chapter 3: A more strategic role for Government

This chapter looks to re-define Government's role with the railway.

It sees Government as having a continued role in:

- Setting an overall network strategy for the railways - perhaps the key mechanism being the targets set in the High Level Output Specification.
- Funding and delivering major projects – e.g. Crossrail and electrification proposals.
- Letting rail franchises. Government will continue to let franchises but will reform the process. This will cover a move to:
 - Longer franchise lengths.
 - Less tightly specified contracts designed to give operators more flexibility.
 - Changing the way that risk is shared between franchises and Government – with bidders to take more of the risk (e.g. in terms of fluctuations in demand).
 - Outcome-based requirements (including customer satisfaction) rather than input requirements. For example, specifying a target that x% passengers are

⁴ Rail Decentralisation: Devolving decision-making on passenger rail services in England

<http://assets.dft.gov.uk/consultations/dft-2012-10/main-document.pdf>

satisfied with ticket retailing rather than a requirement to install 20 new ticket machines).

The strategy envisages Government withdrawing more from the day to day operation of the railway. Some of this will be achieved through franchise reform but some will be achieved by allowing the industry greater control over some investment decisions (i.e. it decides what and where to spend some investment funds). The document also talks of having smarter regulation to help cut 'red-tape'.

Chapter 4: A more efficient industry

This chapter deals with the framework of structures and incentives overseen by Government and the Office of Rail Regulation (ORR) to encourage the rail industry to deliver the outcomes and savings that benefit both fare payers and taxpayers.

In short this is about how the Government aims to achieve cost reductions and efficiency savings. At its core is achieving a greater alignment between rail industry parties – i.e. to get them all working together towards a single goal. Among the main suggestions are:

- Getting train companies and Network Rail to work more closely together either through changes to track access incentive payments or, more radically, through structural changes – e.g. joint ventures, partnership working or formal alliances such as that proposed for South West Trains and Network Rail's Wessex route.
- A more devolved, responsive Network rail – though with the recognition that some functions need to be retained centrally.
- Franchises that require train companies to share economic risks (i.e. changes in demand) rather than just pass them onto Government. The idea is to incentivise train companies to manage-down the costs of their business.
- Continue the policy of transferring responsibility for stations from Network Rail to train companies – as being trialled in the Greater Anglia franchise.
- Reforming Network Rail's governance so that members are better able to hold the Board to account. Government believes that reform can be achieved within the current Company Limited by Guarantee structure (i.e. it does not propose organisational change). Suggestions include:
 - Reducing the number of members to a more sensible level, thereby improving the quality of decision-making.
 - Select members with the right skills needed to hold a commercial organisation to account.
 - Appoint a public interest director to represent the taxpayer.
- Secure savings from rolling stock – the aim is to give train companies greater flexibility with rolling stock when bidding for franchises.
- A stronger more competitive rail supply chain.
- Highly skilled and productive workforce – including a less confrontational approach and more flexible working.
- Safety. The challenge is to continue to deliver the same high levels of safety in a more efficient and cost-effective way. Government believes that more efficient

railway management and asset management should go hand in hand with continued improvement of the safety record.

- Interestingly Government does not support an increase in open access competition. They recognise the benefits of competition but feel that open access “detrimentally impacts on the taxpayers’ interest”.

Chapter 5: Better information

This chapter sets out the measures Government, the Office of Rail Regulation (ORR) and the rail industry are committed to taking to improve the availability of data and information to passengers and taxpayers.

The thrust here is for more, and better, transparency. Including:

- Industry costs and finances.
- Where subsidy is being spent.
- Improved performance data, including more route based information rather than just performance at a franchise level – something Passenger Focus has repeatedly called for.
- Improved information on rail crowding - it talks of procuring a centralised passenger counts database.
- More information on complaints.
- Making data on timetable and real time train and bus information more openly available. The aim is to support the development of a real-time transport information market, helping passengers make better travel decisions and making public transport easier to use.

Chapter 6 – Implementing rail reform

This chapter sets out how the measures contained in this Command Paper will be delivered and how overall they contribute to reducing the cost of the railway. It flags what has already been achieved, and the timescales for future actions.

- Initiatives already in hand include:
 - Franchise policy reform.
 - Network Rail plans for decentralisation.
 - Alliancing/partnership discussions between train companies and Network Rail.
- Future milestones include:
 - Ongoing franchising programme. Over the coming months and years a significant number of franchises will be renewed.
 - In July 2012 Government will set out the outputs it wants to buy from rail (the High Level Output Specification), and how much money is available (Statement of Funds Available) for the period 2014-19.

- Network Rail and the industry will respond to this by producing a Strategic Business Plan in January 2013.
- Network Rail will be considering the scope to let concessions for managing the infrastructure on parts of the rail network, as a means of improving competition and comparison in the provision of infrastructure services.

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Passenger Focus
One Drummond Gate
Pimlico
London
SW1V 2QY

0300 123 2350
www.passengerfocus.org.uk
info@passengerfocus.org.uk

Passenger Focus is the operating name of the Passengers' Council