

# Changing Track

Proposals for a more customer-focussed, joined-up and accountable railway



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**Rail Delivery Group**



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# Foreword



Now is a time for fundamental change, not tinkering around the edges or, worse, inaction. We need to configure the railway around its customers and set it up for a successful future.



**Paul Plummer, Chief Executive,  
Rail Delivery Group**

**There is a real and widespread desire for change on Britain's railways. People and businesses want change that gives them confidence that the railway shares and values their priorities: value for money, punctuality, customer service and accountability.**

We believe our proposals provide a clear way forward to deliver that change. They have been designed to deliver against those priorities: there should be easier fares for all; there must be much more effective partnership working to deliver the best possible service for everyone; the whole railway must be capable of responding and changing much more quickly when it needs to; and passengers must gain the sense of control that comes from understanding clearly who is in charge.

Now is a time for fundamental change, not tinkering around the edges or, worse, inaction. Rail has a real opportunity to be part of the solution to many of the most fundamental economic, social and environmental challenges Britain will face in the decades to come, but it must demonstrate it can deliver for its customers first. We need to configure the railway around them and set it up for a successful future.

We want passengers to have confidence they will always get the best fare for their journey.

We want a railway where the companies running it are set up to succeed in a true partnership of the public and private sectors, focussed above everything else on delivering what passengers really value.

We need a railway that takes into account that not all passengers want exactly the same thing; their priorities will evolve over time and we must be able to reflect those different priorities and adapt better and faster when they change.

We must design a railway where passengers understand where the buck stops, and who is responsible for making the whole system work together for them to deliver value for money, punctuality and the best possible service.

The eight proposals for change we set out here are the foundations on which we believe we can deliver passengers' priorities and help rebuild trust. Implementing them as a package would mean we could seize the once-in-a-generation opportunity we have to shape our future around passengers and make their priorities the railway's priorities.

Borrowing from some of the most successful railways across the world, and on the principle that a modern nation needs to take the best ideas unconstrained by ideology, our proposals would harness the best of the public and private sectors working together.

How we reform the railway really does matter. Now is the time to design a system for the future that is focussed on delivering for passengers today and tomorrow, and to move forward with the certainty of one vision and one long-term plan.

These proposals are made by the Rail Delivery Group (RDG) on behalf of all its members, who are working together for change and recognise that reform is essential. In any organisation as broad as the RDG a range of views is inevitable and not all members agree on the detail of all individual elements. Nevertheless, there is support for the principles outlined and a shared view that the package of proposals would provide a positive way forward in delivering lasting change for customers, communities, the economy and our workforce.

# Executive summary



**The Williams Review comes at a crucial moment. As Britain grapples with some of the biggest issues facing any nation, it is vital that our economy, and the infrastructure that underpins it, meets its full potential not just for today but for generations to come.**

#### Rail's purpose over the next 25 years

Looking over the next two or three decades, it is clear there are five overarching strategic challenges confronting all sectors of the economy. In turn, these each present opportunities for rail to be integral to the nation's response. They are:

- The health of the economy as an overriding governmental priority, combined with the need to address the productivity gap and regional disparities that hold UK PLC back;
- The need to reduce carbon emissions and improve air quality;
- The affordability and sustainability of public services;
- The increased availability of digital technology and the seismic implications that will have for travel patterns and our wider social behaviour; and
- Expected population growth to 77 million by 2050, with all the implications that will have on housing and other policy areas, including rail.

The Williams Review provides the whole industry with the imperative to help meet these challenges by looking afresh at what we do, asking again what our purpose is, and inviting scrutiny and appraisal.

#### Our principles for change

In approaching this work, and with these challenges in mind, we defined the 'tests' we believe Britain's railway needs to pass to set Britain up for success for the next 25 years and beyond, which we judge our own proposals against. These tests are enshrined in our six principles for change, which align closely with the themes set out in the Williams review:

- The railway must put customers at the heart;
- Reform must create clear accountability;
- The railway must deliver value for money;
- The railway must drive economic growth;
- The railway must strengthen communities; and
- Reform must inspire our people.

We consider these to be the right priorities for a modern railway.

#### Challenges and opportunities

The rail industry undoubtedly faces some fundamental questions, but those questions are balanced by opportunities. Bold reform is essential, as it can remove the barriers that exist today enabling us to reconfigure the railway around the needs and aspirations of the people and businesses who rely on it, driving improvements for their benefit.

However, while big change is essential, we should take care not to lose what has worked too. Much has been achieved over the last 25 years, and the partnership of public and private sectors continue to work hard to improve the daily experience for passengers.

These achievements include:

- **Safety:** Following a spate of tragic accidents at the turn of the century, our passengers and our people now travel and work on one of the safest railways in Europe.
- **Passenger growth:** After decades of decline, Britain's railway has seen 25 years of sustained growth. Passenger journeys have doubled, growing more than twice as fast as UK GDP. We're moving more people and goods and better connecting communities across the country to new opportunities.
- **Private sector investment in rail:** In the past decade, private investment has increased by 63.5%, with investment in rolling stock up by 90%.
- **More services:** We are running 28% more services since 1997, and the frequency on many long-distance routes has doubled.
- **The nation has shared in the proceeds of growth:** The railway's finances have been transformed, with an annual operating deficit of £2 billion cut by three quarters, saving taxpayers £1.5 billion a year and freeing up money for other vital public services. The combination of public and private investment going into the railway will boost the UK's economy by almost £85bn over the next decade.

#### Working together for change now

In addition, the industry is continuing to do what it can to improve services for customers today. This includes practical, tangible measures such as the introduction of 7000 new carriages by the early 2020s, meaning half the existing fleet will be replaced new-for-old, and the overall number of carriages will increase by 20%. Along with more seats, that means improvements like air-conditioning, plug-sockets and Wi-Fi, boosting productivity.

Other improvements include the:

- **Introduction of the 26-30 railcard:** Since going on sale in January, the railcard has saved more than 200,000 passengers over £10.5 million.
- **Launch of the Access Map:** Introduced as part of the industry's plan to increase access to the railway, this new interactive map makes it easy for disabled passengers to, at a glance, identify whether any station in the country is accessible so they can plan according to their needs.
- **Roll out of digital ticketing:** Passengers all over Britain are now able to travel paperless. Very soon, we expect nine in 10 tickets to be available for sale to customers as smart tickets.
- **Introduction of delay-repay compensation:** A number of operators have introduced Delay Repay 15, so that rail passengers can claim compensation if their train is more than 15 minutes late. Compensation is often paid regardless of the cause and train companies are making it easier to claim.



- **Introduction of the Rail Ombudsman:** All train operators have signed up voluntarily to a new, impartial ombudsman which has the power to make binding decisions on them and award compensation.

We also recently launched proposals to modernise Britain's outdated fares and ticketing system, all founded on the results of the biggest ever consultation into what passengers want from the fares system. We are already working towards a series of real-world trials to bring to life what is possible, and with changes to regulation, we can work with government to deliver up-to-date rail fares that better match the way people live and work today.

#### **We face challenges and we must be honest about those**

While we continue to work hard to deliver improvements, it is a fact that the system is no longer delivering the consistently high standard that customers have a right to expect. We welcome the fact that passenger numbers have doubled but understand that this piles pressure on the system. The smallest delay has a vast ripple effect across the railway. Since surveys began in 1999, our overall customer satisfaction has increased from 76% to 83%, but in autumn 2018 it dropped to 79%. That is a worrying drop in support.

And while we have seen seismic advances in digital technology in other areas of life, creating new ways to shop, connect and work, so many of our processes, such as the fares

system which is shaped by regulations written in the 90s, remain stuck in the analogue age.

Everyone agrees the system needs to change. But it must do so in a way that is lasting and sustainable. Change must make the railway fit for future generations, delivering the best deal for our customers, holding the industry to account and creating a railway that communities and businesses across Britain will rely on to thrive in the future.

It is in recognition of this need for change that the industry called for a rail review. With its broad scope and reach, the independently chaired Williams Review creates the opportunity to deliver a once-in-a-generation shake-up of the rules that govern Britain's railway.

Its success depends on lasting, long-term reform. Previous reviews have not lived up to their promise – not looking at the whole system, or providing solutions which have only been implemented in part. As a consequence, the industry and its customers now face a set of issues which must be prioritised and addressed. These include:

- Misaligned targets, incentives and business models which make it difficult for the industry to collaborate.
- A franchise model which has not encouraged long-term behaviours by operators.
- It is often problematic for the DfT to act as a systems integrator for England and Wales with understandably limited capacity and capability.

- A complex fares system and outdated regulations have led to a lack of trust that customers will always get the best fare, and a system which has not kept pace with changes in lifestyle and working practices.

#### **Looking outward for answers**

In developing our proposals we have listened to customers and businesses around the country and consulted with them to understand what they want and expect from their railway. They are clear, they want more accountability and a more reliable, punctual service. They expect greater local control in the interests of economic development and a system that delivers value for money. They want choice wherever possible, and a system which works for the way they live and work today.

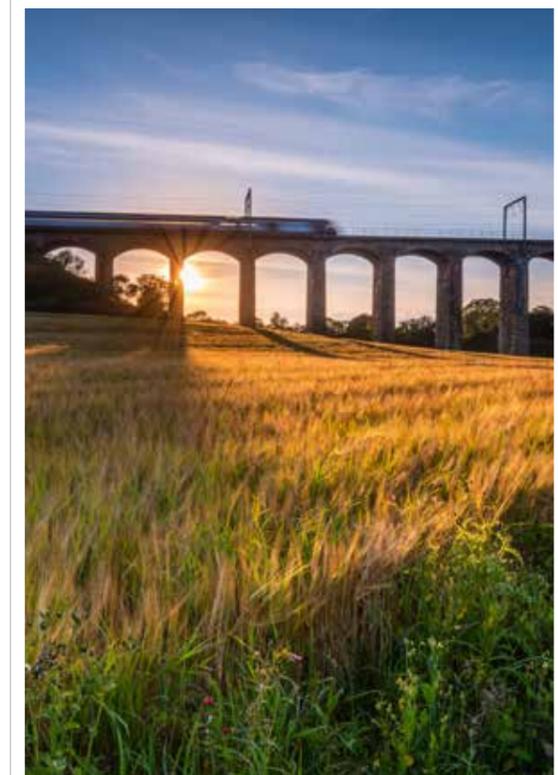
We have also looked out to rail systems around the world – from Sweden to Japan, Germany and France, to take what works and bring it back to the UK. While the British system is unique, we see that there are lessons to be learned from elsewhere: in Sweden, where the balance of public service contracts and commercial open access is considered positive; in Japan, where vertical integration has heralded both success and trade-offs, for example limited freight; and in France, where the nationalised system has seen some success, but also increases in debt which have led to a major review of the system.

While it is paramount to look outwards to see what works around the world, our proposals are anchored in our own experiences, structures and culture. We have gained an

evidence-based understanding of the way ahead.

#### **Our plan for a joined up, accountable and customer-focused railway**

In this document, we evaluate the proposals we make against the principles we have set out.



And we propose a clear, eight-point plan to deliver a new system for our customers and the communities we serve:

**Deliver easier fares for all:** Update decades of regulation to enable a fares system which is much easier for passengers to use and better value for money, introducing pay as you go with a price cap across commuter markets, and reducing overcrowding on some of the busiest long-distance services while encouraging more people to use the network at different times of day. This fully reformed system would be backed up for the first time by an industry ‘best fare guarantee’.

**Put a new independent organising body in charge of the whole industry:** Form a new independent organising body which removes the politics from the running of the railway as far as possible and acts as the glue that binds it together, joining up decisions, making sure customer needs are prioritised and holding the industry to account with penalties where it falls short.

**Introduce responsive, customer-focussed ‘public service contracts’, replacing the current franchising system:** Create a new system of contracts that would be more responsive to what our customers are asking for. Our new ‘public service contracts’ system would be made up of TfL-style single branded ‘concessions’ where usually an integrated transport body effectively runs the service, or new ‘customer outcome-based’ contracts, in place of today’s tightly specified inputs-based model, which better incentivise the private sector to innovate to improve, while only rewarding good performance.

**Give customers more choice of operators on some long-distance routes:** For some long-distance routes, having more rail companies competing for passengers means they could be offered a range of different services based on what they want. Whether it’s quicker more comfortable journeys or faster Wi-Fi, demand would shape the market; meaning rail companies would have to adapt to the needs of passengers if they want to keep their business.

**Make sure track and train are all working to the same customer-focussed goals:** Introduce a single thread of consistent targets and incentives running through the whole industry, from CEOs to frontline teams and between the track and the train, so that all parts of the railway pull together – ending the blame game.

**Bring decisions about local services closer to home:** Where appropriate, for example in larger city regions which serve commuter markets, customers would benefit from local transport bodies being given more power to design and specify local services, bringing decisions about the railway closer to the communities it serves.

**Enhance freight’s central role in delivering for Britain’s economy:** We want to work with government to develop a clear national framework to put freight at the core of the government’s business, environmental, and transport strategic policy making. It is important that freight obtains the access it needs to the whole rail network to keep supermarket shelves stacked, the lights on and the economy moving in a global marketplace.

**Invest in our people to deliver positive long-term change for our customers:** Develop a new approach to working with the unions, governments and the industry which provides our people with the skills, resources and rewards they need to deliver generational change in the railway.

Delivered in full, this plan opens the door to TfL-style concessions in more cities across the country, with services on other parts of the network contracted against tough passenger-centric targets. These services would be complemented by some long-distance routes offering more competition to customers. In all cases our plan would be underpinned by a modernised, easier to use fares system with tap in tap out and a price cap in urban areas, matching the way people live and work today.

The new system would be overseen by a single organising body, independent of government and industry, ensuring decisions about trains, infrastructure and services are joined up and all players are held to account.

All of this would be run by a skilled, diverse workforce working in partnership to deliver a singular focus on the customer.

#### Conclusion – the time for change is now

Through the process we have gone through to develop these proposals, married with our own experience, we have vital insight into how to ensure the railway is fit for purpose now and in the years to come. We believe the following should be priorities for reform, setting up a new system which delivers improvements for the customer and for Britain in the years to come:

- Implementing the ‘Easier fares for all’ proposals in full, to deliver the modern, up to date system our customers are crying out for.

- Moving quickly to establish an independent organising body in shadow form.
- Reforming public service contracts and re-starting the process of awarding contracts.
- Ensuring alignment of objectives, targets and incentives across the industry.
- Devolving funding and specification of rail services to the most appropriate democratically elected bodies.
- Harnessing the benefits of Network Rail’s transformation programme.

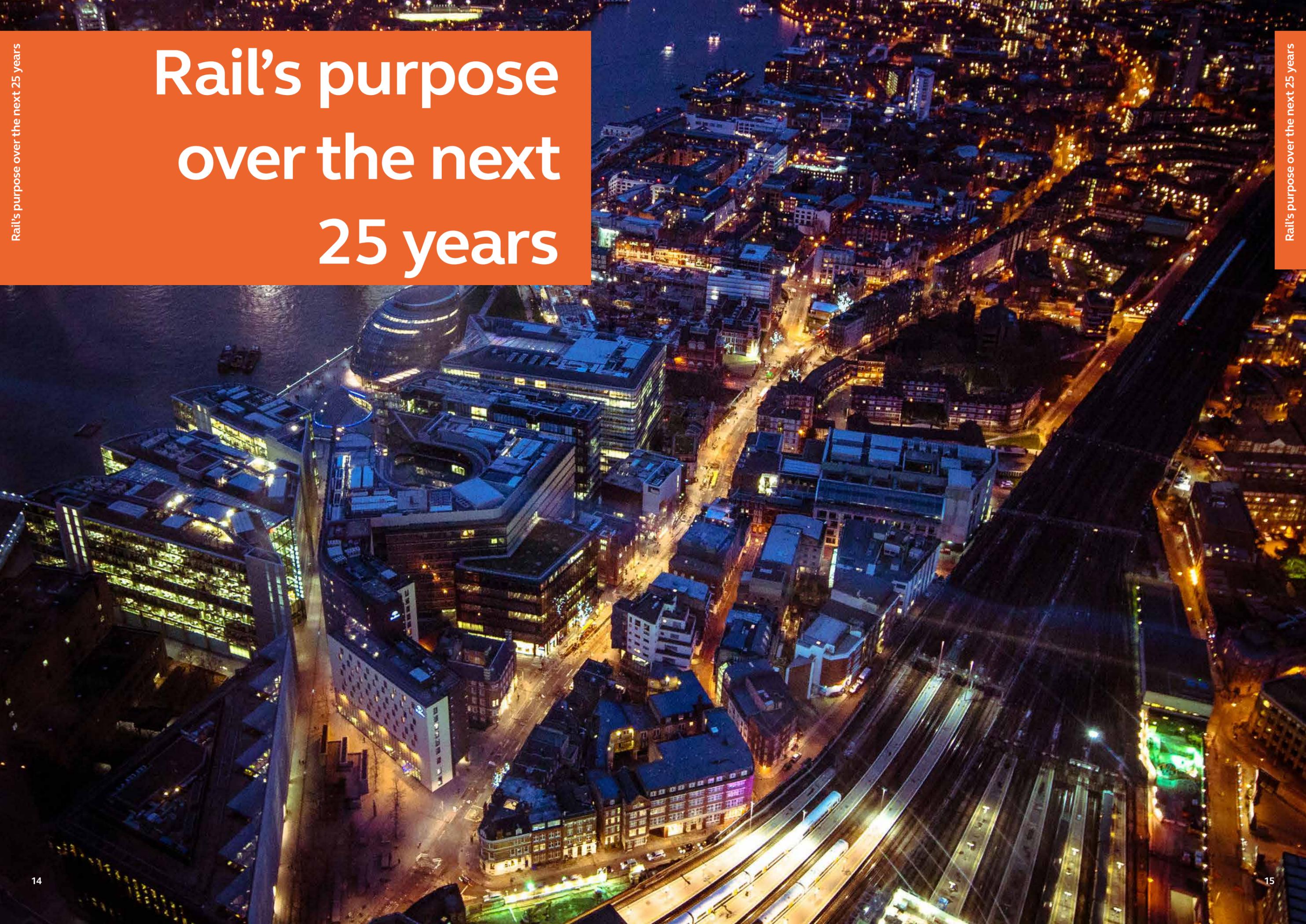
It is essential we make swift and sustained progress towards a reformed railway that is focussed on delivering for customers. The White Paper developed as a result of the Williams Review should be a clear and unambiguous plan for change overseen by a board including representatives from government, customer bodies, employees and the wider industry.

We know we may not always have got everything right, but the time to make the changes which will secure the future of the railway is now. It is time to deliver the world-class service Britain demands and deserves and achieve real, lasting change.

# Rail's purpose over the next 25 years

Rail's purpose over the next 25 years

Rail's purpose over the next 25 years



**As we look over the next two or three decades, it is clear there are five overarching strategic challenges confronting all sectors of the economy which rail must rise to in response. As we take decisions today about the future of our railway, taking these challenges into account is essential.**

The health of the economy will continue to be an overriding priority, combined with the ever more pressing need to address poor productivity, reducing the regional disparities that drive the geographic imbalance that holds the whole of the UK back. At the same time the question of international connectivity and trade will be ever more important, particularly as the country leaves the European Union.

The whole economy will need to work within government environmental commitments on improving air quality and reducing carbon emissions.

The affordability of public services and their long-term financial sustainability will continue to be crucial, with more limited budgets making it essential that capital investment is targeted where it can best help meet wider economic challenges.

The increased availability of digital technology will have seismic implications for the wider economy, for behaviour change in travel and our social and personal behaviour; and for the design and operation of the rail system.

Finally, it is imperative to acknowledge the expected growth in the UK population to 77 million by 2050 – predicted to be largely focussed in London, the wider South East of England and our major cities – with all the implications this growth will have on housing and other policy areas, including rail.

We believe rail is critical to meeting all five challenges, but recognise they present direct challenges to the industry.

Reform must deliver a railway well-placed to not just respond to these challenges, but to set Britain up for success over the next generation. For example, the capacity and connectivity the railway can bring as part of the wider transport network will be vital in helping address the endemic differences in economic performance between London and the wider South East on the one hand and the remaining parts of the UK on the other.

In our major cities and towns, increased rail capacity can facilitate sustainable growth and support not only a better environment in terms of both air quality and reduced emissions, but also the high-density development that, through the creation of a clustering effect, can boost economic performance and alleviate constraints in the housing market.

Targeting available capital investment to improve the reliability and resilience of the system as a whole can enable businesses to connect better with each other and their supply chains, boosting both productivity and wider economic performance.

Rail can also make a vital contribution to a low-carbon economy in the context of the UK target of reducing carbon emissions by at least 80% of 1990 levels by 2050. This relates both to meeting the changes in demand driven by rail's good environmental case but also to a focus on reducing our own emissions as a sector. Enabling the long-term sustainable growth of the freight sector can help in terms of both cutting emissions but also improving air quality by reducing congestion in our major cities and towns, addressing its environmental and social impacts while being a catalyst for the

Rail's purpose over the next 25 years



**Rail must support the wider economy and social outcomes.**



**Vernon Everitt, Managing Director, Customers, Communication and Technology, Transport for London**

businesses that rely on it to trade both within the UK and outwards as part of an ever more global economy.

An affordable, value for money railway which encourages more people to travel by train frees up more money for capital investment in growing the network, enabling a more effective increase in capacity, boosting our whole economy and freeing up more money to invest in other vital public services. However, these decisions on capital investment must be made in a way that enables and enhances every part of Britain, with clear objectives for rail within the context of the transport networks in Scotland, Wales and the English regions.

We know that over the coming years technology will change our society in ways that today may be hard to imagine; helping make rail faster, cheaper and adding vital new capacity. There is a clear potential impact from the growth of shared autonomous vehicles on our transport system as a whole: we want rail to play its full part in the multi-modal system that develops. It must complement and enhance that system through an integrated approach to addressing the future of mobility within our society – a future in which people will access public and private transportation providers through a unified gateway that creates and manages the trip.

We can expect that we will all be more connected and demand more from those providing us with services of any kind. In a new and highly competitive and connected marketplace, the successful systems which not just survive but thrive are those designed around their customers. This change in people's expectations is a clear challenge to rail, one which the industry must be able to respond to effectively.

Population projections indicate that growth will be strongest in those geographical areas already extensively served by rail, but in which housing supply is even now at a premium. This is just one key factor in the predicted growth in rail passengers of up to a further 40% by 2040.

There has been a softening of growth in London and the South East of England – and we must not take that growth for granted. However, both long-distance and regional rail travel, especially to and from the larger towns and cities outside London and the South East, have continued to see demand increase. Meeting the projected growth in demand from passengers will require an increase in the number of trains on our railway – with a medium range projection of a 50% increase by 2047. This expected growth in passenger demand is a significant challenge to the sector in itself, but must also be seen alongside a predicted growth in demand to move freight by rail of a similar scale, and demand for an integrated transport offer.

We believe strongly that rail is fundamental to helping the UK meet these challenges and succeed, but we know we must demonstrate that rail is capable of not just responding to, but shaping that future. This is why the decisions today are so vital – creating a system not just fit for today, but for the next generation and beyond.

# Our principles for change

The Williams Review provides the whole industry with the opportunity to look afresh at what we do, ask again what our purpose is, and to invite scrutiny and challenge. In approaching this work, we defined the 'tests' we believe Britain's railway needs to pass to set Britain up for success for the next 25 years and beyond, which we judge our own proposals through.

These tests are enshrined in our six principles for change:



**The railway must put customers at the heart:** A genuinely reformed railway must unlock a new generation of innovation and investment and, where it makes sense, choice for customers. This is key to ensuring every passenger gets a safe, reliable service, at a price they consider fair, in comfort and safety, from the station to the platform to the carriage. Customers come first – that must be the first outcome of the review.



**Reform must create clear accountability:** Building a structure for the railway that creates confidence in its leadership and makes it clear where the buck stops when things go wrong. The public must know who is responsible for what and, crucially, know who to complain to if things go awry. If customers feel their voices disappear into the void then trust will evaporate.



**We must deliver value for money:** Managing costs for passengers, freight customers and taxpayers. Nobody wants to see a return to the days when the railway was underfunded, lines were closed, stations were boarded up and the network was in a state of managed decline. A time when our rail infrastructure had to compete for politicians' attention, and directly with schools, health and policing for funding.



**The railway must drive economic growth:** The railway is more than a treasured public service, it is a vital piece of national infrastructure that connects businesses to each other and their employees to their places of work. That is why it is vital that the right model for the railway also incentivises investment for the long-term, expanding our network and growing and rebalancing Britain's economy.



**The railway must strengthen communities:** We bring people together not just physically but as part of our shared memories and shared culture, from our first time on a train, to our visits to friends and family, to trips to the seaside, to seeing new cities. So the railway must be modern, efficient and designed around the needs and aspirations of the communities it serves.



**Reform must inspire our people:** Enabling those that work on the railway to have long-term, fulfilling careers, equipped with the skills to respond to future needs, sharing the success with everyone working in the railway. We want everyone working in rail to feel a sense of fulfilment and belonging. We want to develop challenging and rewarding career paths, to attract the brightest and the best talent from diverse backgrounds, and to continue to create apprenticeships and jobs in every part of the country.

Six outcomes – putting customers first, clear lines of accountability, value for money, driving economic growth, stronger communities, and inspiring our workforce. We consider these to be the right priorities for a modern railway. The right approach for the generations to come.

# Challenges and opportunities



**The rail industry undoubtedly faces some fundamental challenges, but those challenges are balanced by opportunities. Bold reform is essential, as it can remove the barriers that exist today – some of which result from a failure to implement recommendations from previous reviews – and help us to reconfigure the railway around the needs and aspirations of the people and businesses who rely on it, driving improvements for their benefit.**

These reforms should not lose sight of what works in the current system. Much has been achieved over the last 25 years, and the partnership of public and private sectors continues to work hard to improve the daily experience for passengers. We believe that a reformed partnership can deliver much more over the decades to come.

#### **The railway has achieved a lot in the last 25 years**

We are proud of the areas where we have seen transformation in recent decades, including:

- **Safety.** Following a spate of tragic accidents at the turn of the century, our passengers and our people now travel and work on one of the safest railways in Europe.
- **Passenger growth.** After decades of decline, Britain's railway has seen 25 years of sustained growth. Passenger journeys have doubled, growing more than twice as fast as UK GDP. We're moving more people and goods and better connecting communities across the country to new opportunities

- **Private sector investment in rail.** This is at its highest level since first being measured and private sector capital has meant the taxpayer has not been burdened with the cost of innovation. Private investment has increased 63.5% since 2007-08 driven by investment in rolling stock, which is up over 90% (£767m in 2016-17). Compared to 1996-97, there are 2,500 more carriages on the railway, a 25% increase. Rail companies are introducing 7,200 new carriages by 2021.
- **More services.** Investment means train companies are running 28% more services since 1997 and the frequency of services on many key long-distance routes has doubled.
- **Freight productivity.** We have achieved wider environmental and societal benefits by strong growth in rail freight since 1996, reversing decades of decline. Rail freight delivers around £1.7 billion of economic benefits per year, including £1.2 billion of productivity benefits.
- **Sharing the proceeds of growth.** The railway's finances have been transformed, with an annual operating deficit of £2 billion cut by three quarters, saving taxpayers £1.5 billion a year and freeing up money for other vital public services. The combination of public and private sector investment going into the railway will boost the UK's economy by almost £85 billion over the next decade.

- **Better facilities.** Billions of pounds of investment from the public and private sectors in new stations like Corby in Northamptonshire, in infrastructure like a new line from Oxford to London - the first between a major British city and the capital in 100 years - and in thousands of new, more comfortable carriages

This transformation has been delivered by a partnership of the public and private sectors. The private sector has played an important role and has a strong track record of delivering better value for taxpayers and the economy; more investment in new infrastructure and services; and improved customer experiences.

#### **Working together for change now**

In addition, the industry is continuing to do what it can to improve services for customers today. This includes practical, tangible measures such as the introduction of 7000 new carriages by 2021, meaning half the existing fleet will be replaced new for old, and the overall number of carriages will increase by 20%. Along with more seats that means improvements like air-conditioning, plug-sockets and Wi-Fi, boosting productivity. It includes initiatives such as:

- **Introduction of the 26-30 Railcard.** Since going on sale in January, the 26-30 Railcard has saved more than 200,000 passengers over £10.5 million, with an estimated annual saving for each 26-30 Railcard holder of £281. Since 1993, Railcard holders have made around 2.2 billion journeys, saving themselves an estimated £8.5 billion.

- **Access Map.** The rail industry has launched a new interactive map which will make it easy for disabled passengers to, at a glance, identify whether any station in the country is accessible so they can plan according to their needs and have smoother and more reliable journeys. This is one part of the industry's long-term plan to increase access to the railway, supporting more people to travel by train. The rail industry is also trialling a revolutionary app to speed up booking assistance and, by summer 2020 when the app will go live, helping passengers have more control over their journey.
- **Digital ticketing.** Passengers travelling from all major stations across Britain are now able to go paperless, buying smart tickets more quickly and easily online or via their smartphones to store on their handset or a smartcard. Very soon, we expect 9 in 10 tickets to be available for sale to customers as smart tickets, which benefit passengers by helping them save time and skip queues at ticket machines; ending the days of lost tickets with passes stored securely on a phone or a card; and making it simpler and easier for customers to claim compensation.
- **Delay-repay compensation.** Supported by the industry, a number of operators have introduced Delay Repay 15, allowing rail passengers to claim compensation if their train is more than 15 minutes late. Future contracts will include a requirement to introduce this policy. Compensation is often paid regardless of the cause and train companies are making it easier to claim.

- **On time measures.** The industry has introduced 'to the minute' train performance metrics as the primary method of measuring punctuality in 2019. The move means that train punctuality measures in Britain are now the most transparent of any major railway in Europe. The new measure means clearer information for passengers, and the data is already being used by train companies and Network Rail to pinpoint issues that cause delays and improve punctuality.
- **Introduction of the Rail Ombudsman.** As part of the industry's efforts to uphold the highest standards in its complaints process and increase customer satisfaction, all train operators signed up voluntarily to a new impartial and independent Ombudsman, which has the power to make binding decisions on them, and which can include awarding compensation.
- **Trialling of RDG's fares reform proposals.** RDG has submitted ambitious proposals for fares reform. The industry is now working on a series of real-world trials to bring the benefits of these reforms to life for our passengers, with the aim of rolling out a new system across the country over the next 3-5 years.
- **Railway upgrade plan.** Network Rail is investing £130 million every week on improvements across Britain to improve the railway for passengers including the Derby resignalling project, the Edinburgh-Glasgow Improvement Programme and new stations at London Bridge and Birmingham New Street.

In addition, all the companies running the railway recognise punctuality has not been good enough for a few years, and current improvement initiatives include:

- **Collaborative leadership.** Improving punctuality requires effective collaboration across the industry and its leadership. Operators and Network Rail will jointly be focussed on delivering much better performance outcomes, with a greater focus on delivering improvements locally through collaborative working.
- **Learning lessons from the May 2018 timetable.** Following the unacceptable disruption many passengers experienced during the May 2018 timetable, a new cross-industry programme management office is monitoring the industry's readiness for introducing new timetables. This includes reviewing the progress of infrastructure projects, the introduction of rolling stock and the training of drivers. These new arrangements supported the successful introduction of the December 2018 timetable with attention now focussed on the forthcoming May and December 2019 changes.

### We also face challenges and we must be honest about those

While we continue to work hard to deliver improvements, it is a fact that the system is no longer delivering the consistently high standard that customers have a right to expect. We welcome the fact that passenger numbers have doubled but understand that this piles pressure on the system. The smallest delay has a vast ripple effect across the railway. Since surveys began in 1999, our overall customer satisfaction has increased from 76% to 83% but in autumn 2018 it dropped to 79%. That is a worrying drop in support.

And while we've seen seismic advances in digital technology in other areas of life, creating new ways to shop, connect and work, so many of our processes remain stuck in the analogue age.

Everyone agrees the system needs to change. But it must do so in a way that is lasting and sustainable. Change must make the railway fit for future generations, delivering the best deal for our customers, holding the industry to account and creating a railway that communities and businesses across Britain will rely on to thrive in future.



It is in recognition of this need for change that the industry called for a rail review. With its broad scope and reach, the independently chaired Williams Review creates the opportunity to deliver a once-in-a-generation shake up of the rules that govern Britain's railway.

Its success depends on lasting, long-term reform. Previous reviews have not lived up to their promise – not looking at the whole system, or providing solutions which have only been implemented in part.

In particular, we believe that some of the challenges facing today's railway would have been avoided if the recommendations of the Shaw Review on the future shape and financing of Network Rail (2016) and the Brown Review of the rail franchising programme (2013) had been implemented in full.

The failure to address in full these recommendations from previous reviews has had consequences for the industry and all of its customers, and has contributed to the set of issues which now need to be prioritised and which include:

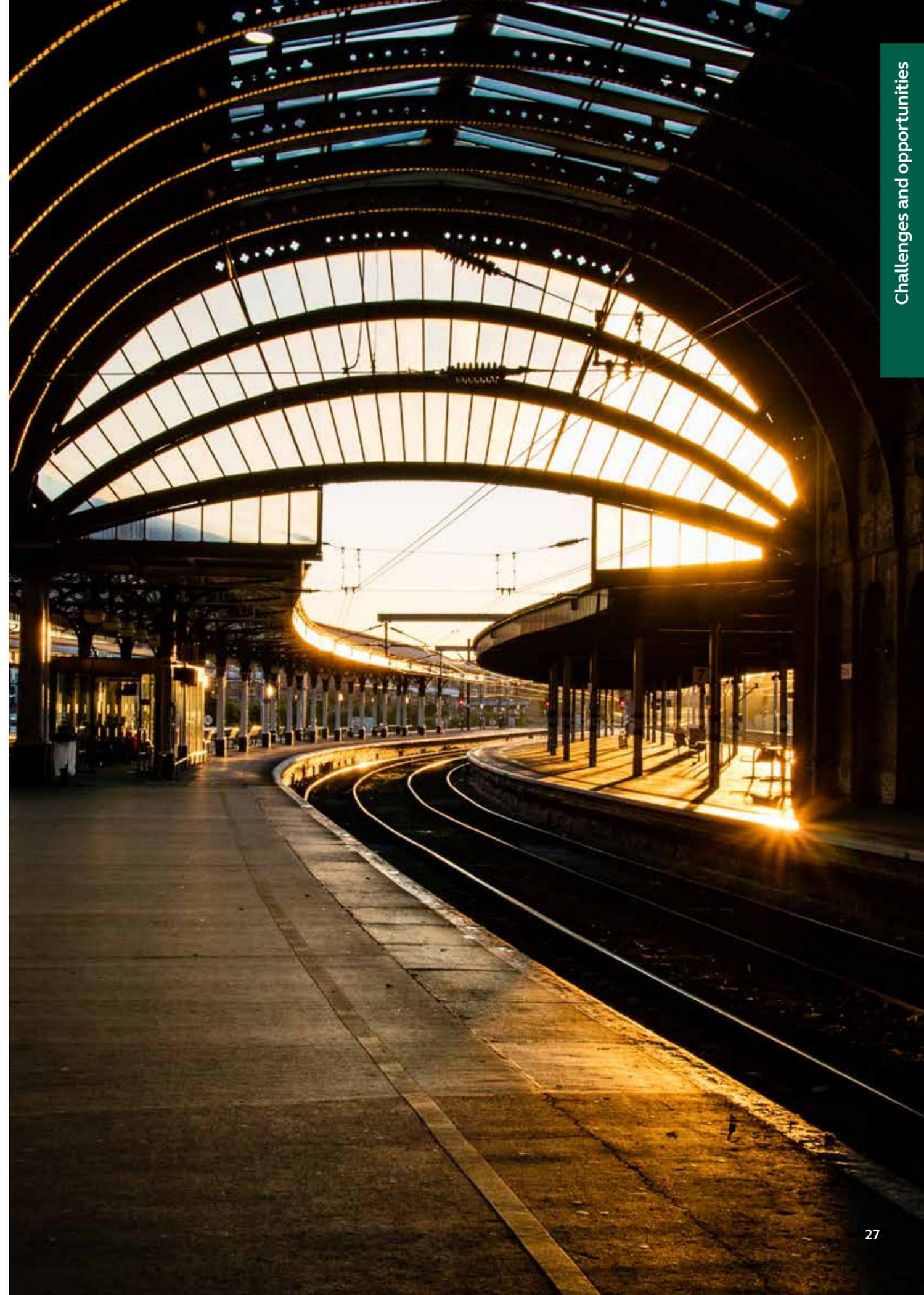
- Misaligned targets, incentives and business models have made it more challenging for the wider industry to collaborate more effectively to deliver for the customer.
- In the past Network Rail has lacked focus and real engagement with its train operator customers at a local level. This is now changing with a strong drive towards deeper devolution, partnership and customer focus.

- Prescriptive obligations in franchise agreements often result in a lack of resilience on behalf of operators. Train operators would be more responsive to changing customer need and economic conditions with more customer outcome-based and flexible contracts.
- It is often problematic for DfT to act as a systems integrator for England and Wales with understandably limited capacity and capability.
- A complex fares system and outdated regulations have led to a lack of trust that customers will always get the best fare, and a system which has not kept pace with changes in lifestyle and working practices.
- The franchise model has generally not encouraged long-term behaviours by operators. All industry players need to be incentivised to consider the long-term needs of customers within a framework that encourages and supports innovation.
- There is a lack of clear leadership, with those with the accountability for decisions not always having the ability or authority to act.
- The regulator has put more emphasis on train operators as customers to agree with Network Rail targets to deliver improvements for customers. While this is right in principle, it is necessary to have aligned incentives and the right contractual levers to do this.
- The current system does not encourage enough private sector investment which would help to address capacity constraints and grow the network.

In developing our proposals for change, we considered the recommendations of these reviews, as we believe they would deliver better outcomes for customers and taxpayers.

The opportunity we have today is to reform our industry so it is able to address these issues and deliver much more effectively.

Reform can help us create a system which is more innovative, quicker to respond, focussed on delivering in partnership and which encourages and enables more investment. It can help provide clear leadership and, above all, a clear focus on what the customer needs.



# Looking outwards for answers



### Asking the country

In developing meaningful proposals for generational reform of the railway, we have listened to people and businesses around the country and consulted with them to understand what they want and expect.

Our engagement exercise included roundtables with local leaders, business leaders, and stakeholders from the railway from around the country. We listened to chambers of commerce, local councillors and officers, people from city-regions, passenger groups, accessibility groups, think tanks and others with an interest in the future of the railway.

We met with officials from the Department for Transport (DfT), Transport for the North, Transport for Wales, Transport Scotland, Transport for London, Transport for the West Midlands, Transport for Greater Manchester, Merseytravel, Nexus (Tyne and Wear), and other regional stakeholders. This gave us insight into the possibilities of devolved decision-making and regional economic regeneration.

As part of our consultation on the future for ticketing and fares, published as 'Easier fares for all,' we received nearly 20,000 responses from people wanting to share their views. We also conduct ongoing surveys and focus groups with the railway's customers, to gain up-to-the-minute insights into how people experience the services we provide, and their aspirations for the future of the railway. We measure and evaluate the feedback we receive from customers across the railway as part of our Customer Wavelength programme.

We wanted to understand how other sectors manage comparable challenges of technology, growth in passenger numbers and pressures on resources, so we conducted a study of the UK aviation and road industry. For air, we wanted to see how competition for landing slots, coupled

with responsive fares for customers, combine to give passengers flexibility, choice and value for money.

Finally, we looked beyond the UK to other countries with developed railway systems, and sought to learn from their experiences.

This research and engagement has enabled RDG to build a wealth of data and knowledge and helped shape our proposals, based on evidence of what works.

### What we were told

Naturally amidst so many disparate voices, there were some competing demands and differing priorities. People feel passionately about the future of the railway. However, there were some strong unified themes which emerged from our process.

The first is that change is a necessity. People recognise that we need a new way of doing things on the railway for it to adapt and grow into the twenty-first century. Listening to passengers, we heard loud and clear that the priority is our core product: value for money, punctuality, reliability, and a comfortable journey.

People want clear information, understandable prices, and redress if things go wrong. Transport Focus, the independent watchdog, asked more than 12,800 people to rank things that would most improve their journey experience. Value for money came top, followed by getting a seat and improved punctuality. This desire for value for money, punctuality and reliability was echoed from freight operators and others in the freight business. Freight operators, like most businesses, want a stable framework to allow them to make long-term investments.

As we listened to regional authorities, chambers of commerce and business groups, we heard another strong theme: the need for devolved, accountable decision-making in the interests of

regional economic development and long-term growth. We gained insight into the power of the railway to rebalance economies, build stronger communities, create jobs, apprenticeships and business opportunities, and contribute to the UK's engineering and manufacturing base.

In short, people want the railway to continue at the heart of British life, but recognise that tomorrow's railway will be different from yesterday's. People want continuing growth, investment and modernisation. People want safe, reliable, clean, punctual, comfortable trains, as part of an integrated network of transport systems in every part of the UK. They want value for money, transparency, accountability, and a clear sense of where the buck stops. They want to access information and services on the railway with the same ease and convenience as other areas of modern life. This is what our proposals must deliver.

### Looking around the world

Alongside widespread public consultation, our proposals have been guided by the experiences of other railways across the world. The UK is not alone in grappling with the issues of efficiency, accountability and value for money. While there is no single 'one-size-fits-all' approach to running a railway, and all models involve choices and trade-offs given the many markets the railway serves, there are nonetheless insights and lessons from other systems. Railways reflect the political, economic and historical development, and the distribution of population, of their country. Rail functions and organisations are often related to the physical locations and connections between stations, tracks and depots.

However, one common theme that runs throughout our analysis is that private sector involvement and competition in one form or another, repeatedly drives greater efficiency and better customer outcomes.



**Sweden.** Swedish railways were liberalised more than 25 years ago. Railway companies compete for market access and a number of other functions in the sector

and have also been subject to competition. In 1996 the rail freight market was liberalised and track and train are run by separate companies (known as vertical separation). On-rail competition began in 2010 and is regarded as having pushed down prices on intercity routes. A role for regions has meant that train operator contracts aim to meet regional needs. There has also been subsequent passenger growth in Sweden.

Vertical separation means despite a state incumbent railway operator, new entrants in both the freight and passenger market have been able to grow. Sweden is perceived to find a good balance of public and private involvement, with private sector competition keeping the public sector operator competitive. As such, the public sector is balanced by private sector competition, the use of specified public service contracts is balanced by commercial open access, and the role of the regions is balanced with that of central government.



**Japan.** A single Japan National Railways structure was split into six geographical vertically integrated railways and a freight operating business following

a process of privatisation initiated in 1987. Japan is often cited as a good comparator due to its good punctuality and bullet trains, or Shinkansen. There is clear accountability with strong single branding even among different ownership structures. Regional vertical integration is facilitated by the vast majority of journeys being made within the railways' regional geographical boundaries.

Private sector involvement and competition is perceived to have had a positive impact on efficiency and innovation. The companies have commercial freedom, particularly in relation to service levels. High levels of punctuality are helped by having a segregated high-speed network. Capacity provision is very good – high capacity trains at high frequencies. However, trains are often overcrowded around urban areas. Further, vertical integration in Japan appears to have benefited passenger services when compared to limited rail freight.



**Germany.** German railways are vertically integrated in a holding company structure called Deutsche Bahn (DB) – with infrastructure, freight and

passenger operations coming under separate and independent management. Competitors to DB operate in the open freight market, competitively tendered passenger market and there is limited open-access passenger rail competition. Germany has a lower intensity of passenger train usage when compared to UK. However, passenger satisfaction in Germany is lower than the European average.

Public service contracts (PSCs) are often regarded as fit for purpose and with different client bodies making it attractive for bidders – varying in length and with different risk profiles. Despite the contracts being attractive, it is not always easy for operators to enter the market, with a perception that the incumbent can create barriers for competitively tendered PSCs.



**France.** France has one of the world's oldest rail networks with a comprehensive high-speed network covering more than 2600km. SNCF is France's

national state-owned railway company. It operates as a 'holding' for three companies which also contain separate business units. Having a dedicated high-speed passenger rail network means that France can segregate not only its passenger and freight services, but also its long-distance and regional trains. This benefits reliability and enables France to offer a 'premium product'.

Accidents and increasing rail debt in recent years have been a catalyst for a major review of French railways. The instigation and conclusion of the Spinetta Review highlighted a lack of sustainability in the French rail model. In particular, 15% of total annual rail funding was spent on routes carrying 2% of France's passengers. It is arguable that a focus on passenger only lines has had an impact on the rail freight sector. Similar to Germany, France has a much lower intensity of passenger train usage than UK.



**USA.** Railways in the USA are vertically integrated with either a freight operator, or in limited circumstances the national passenger operator Amtrak

managing operations and infrastructure. They are vertically integrated businesses but compete and co-operate while operating over their own infrastructure and infrastructure owned by other operators. A competitive freight industry has increased efficiency over the years with the main catalyst being deregulation. Commercial freedom and economic regulation are perceived as driving some of this efficiency and freight performance.

Passenger operations perform poorly with some services late as much as 80% of the time. Vertical integration of freight lines has meant that passenger services using these lines on an open access basis are deprioritised with up to 90% of passenger services on some lines regularly disrupted by freight. The US also has a relatively poor safety record for passengers. There is no single reason for this, and major accidents have had a number of causes.



**The British system is unique, but there are lessons to be learned from elsewhere**

There is no perfect system, nor one which serves as a perfect blueprint for Britain's railways. But there are lessons to be learned from all of them.

In Sweden the balance between public service contracts and commercial open access is considered positive. The role of the region is balanced with that of central government, and new entrants in both the freight and passenger market have grown.

Japan is also considered a success but takes a different approach to Sweden, adopting a model of passenger-led vertical integration. As with all structural models there are trade-offs with Japan experiencing limited rail freight.

In Germany, public service contracts are considered attractive, however barriers exist for new entrants. In France, high subsidies and growing debt have served as a catalyst for a major review. Finally, in the USA, there have been very significant productivity improvements in the freight sector, but with a strong focus on a vertically integrated rail freight, passenger services are regularly disrupted.

While it is paramount to look outwards to see what works around the world, our proposals for the future of the railway in Britain are anchored in our own experiences, structures and cultures.

Overall, by listening to customers, interest groups, public leaders, businesses, and a range of others, and by looking beyond our own shores, we have gained an evidence-based understanding of the way ahead. Our proposals are rooted in insight, practicality and common sense, free from ideological constraints or narrow self-interest, and presented openly in the interests of the railway and the nation.

# Our plan for a joined up, accountable and customer focussed railway



The Rail Delivery Group has been calling for a major review of the railway, and we welcome the establishment of the Williams Review. We want to be part of a modern, efficient, popular and successful railway. As the body representing the organisations delivering millions of journeys a year, we have a grounded and practical understanding of what needs to change.

But we know we need a step-change to make tomorrow's railway ready for the next set of challenges – a growing population, the exciting possibilities of the technology revolution, and the economic challenges and opportunities after Britain leaves the European Union. There is no one, simple solution. The future of the railway cannot be reduced to a slogan or simple policy prescription. But we do present a plan formed of eight interrelated measures, which taken as a whole, add up to the change we need. We recommend the following:

**Deliver easier fares for all:** Update decades of regulation to enable a fares system which is much easier for passengers to use and better value for money, introducing pay as you go with a price cap across commuter markets, and reducing overcrowding on some of the busiest long-distance services while encouraging more people to use the network at different times of day. This fully reformed system would be backed up for the first time by an industry 'best fare guarantee'.

**Put a new independent organising body in charge of the whole industry:** Form a new independent organising body which removes the politics from the running of the railway as far as possible and acts as the glue that binds it together, joining up decisions, making sure customer needs are prioritised and holding the industry to account with penalties where it falls short.

**Introduce responsive, customer-focussed public service contracts replacing the current franchising system:** Create a new system of contracts that would be more responsive to what our customers are asking for. Our new 'public service contracts' system would be made up of TfL-style single branded 'concessions' where usually an integrated transport body effectively runs the service, or new 'customer outcome-based' contracts, in place of today's tightly specified inputs-based model, which better incentivise the private sector to innovate to improve, while only rewarding good performance.

**Give customers more choice of operators on some long-distance routes:** For some long-distance routes, having more rail companies competing for passengers means they could be offered a range of different services based on what they want. Whether it's quicker more comfortable journeys or faster Wi-Fi, demand would shape the market; meaning rail companies would have to adapt to the needs of passengers if they want to keep their business.



Passengers want a reliable and on time service, that offers value for money.



Mike Hewitson, Head of Policy, Transport Focus

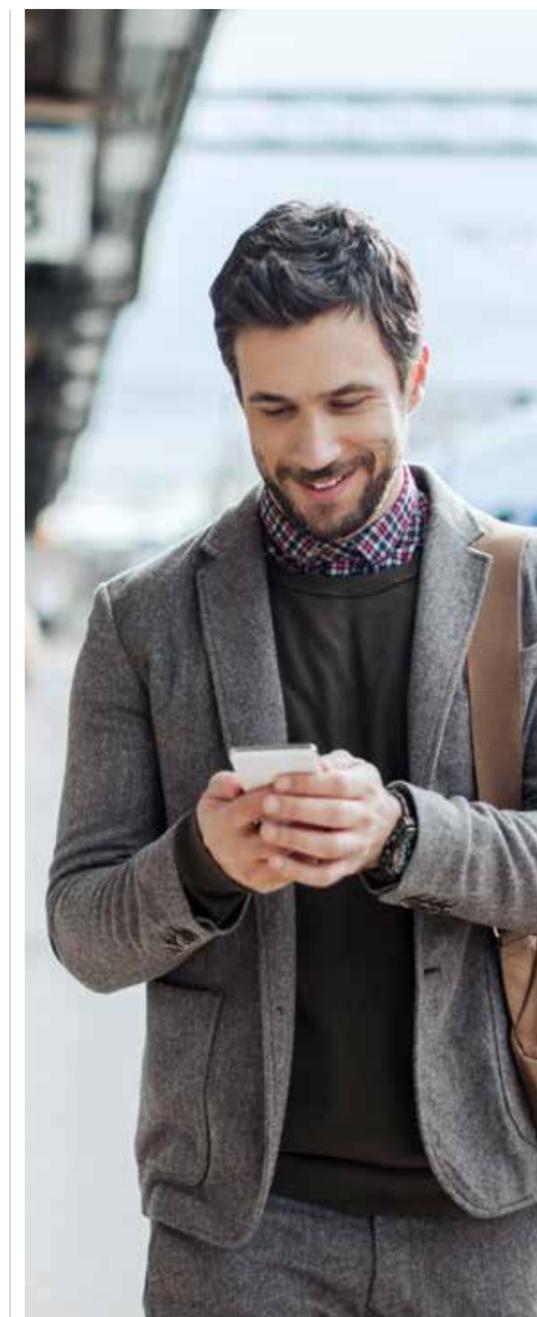
**Make sure track and train are all working to the same customer-focussed goals:** Introduce a single thread of consistent targets and incentives running through the whole industry, from CEOs to frontline teams and between the track and the train, so that all parts of the railway pulling together in the same direction - ending the blame game.

**Bring decisions about local services closer to home:** Where appropriate, for example in larger city regions which serve commuter markets, customers would benefit from local transport bodies being given more power to design and specify local services, bringing decisions about the railway closer to the communities it serves.

**Enhance freight's central role in delivering for Britain's economy:** We want to work with government to develop a clear national framework to put freight at the core of the government's business, environmental, and transport strategic policy making. It is important that freight obtains the access it needs to the whole rail network to keep supermarket shelves stacked, the lights on and the economy moving in a global marketplace.

**Invest in our people to deliver positive long-term change for our customers:** Develop a new approach to working with the unions, governments and the industry which provides our people with the skills, resources and rewards they need to deliver generational change in the railway.

The following sections set out each of these eight points, which form a whole plan, in detail.



# Deliver easier fares for all





**We want to update decades of regulation to enable a fares system which is much easier for passengers to use and better value for money, introducing pay as you go with a price cap across commuter markets, and reducing overcrowding on some of the busiest long-distance services while encouraging more people to use the network at different times of day. This fully reformed system would be backed up for the first time by an industry ‘best fare guarantee.’**

As a public service the railway is being majority-funded by the £10 billion in fares paid by those who use it, so it is vital that the range of fares on offer makes rail an attractive choice by supporting the way people want to work and travel today. Crucial too is that the public has confidence and trust in what they’re buying.

Yet outdated regulations that tie the fares system to the structures and buying requirements of the 1990s, coupled with further layers of requirements added through individual franchise agreements with little or nothing taken away, have created a system riddled with anomalies. The result is that there are now over 55 million fares, created in fixed bundles within a restrictive structure. Customers and ticket office staff then have to try and untangle which ones might suit them best, making it increasingly difficult to guarantee the right fare.

That is why last summer the Rail Delivery Group approached passenger group Transport Focus to work with it to conduct the biggest ever national listening exercise into what a reformed fares system should look like. In

all, nearly 20,000 people responded and we travelled the country consulting passenger groups, business groups, accessibility groups and local authorities representing nearly 300,000 organisations.

The consultation found that eight in ten people want the current system changed, with respondents calling for a fairer, more transparent and easier-to-use experience. Responses to the consultation have been used to develop five principles that should underpin reforms to the fares system, including value for money and simplicity.

Based on these principles, we developed our ‘Easier Fares for All’ proposals for a reformed fares system. These are built with a simple proposition at their core: that customers only pay for what they need and are always charged the best value fare. To deliver this, we are proposing a two-stage approach to reform, underpinned by real-world trials which would give customers more opportunity to engage with the proposed changes:

- **Stage One:** Industry and Government work together to reform the way that fares are worked out. This means replacing the outdated Ticketing and Settlement Agreement (TSA) with a new set of system regulations.
- **Stage Two:** With these new system regulations in place, commercial changes would then need to be agreed with operators, reflected in new pricing regulations written in to Government contracts.

#### These changes would enable:

- The ‘unbundling’ of fares through a move to a single fare as the basic unit of all pricing in the new system, with rules underpinned by regulation to allow and encourage the best combinations of single, return, and multi-journey tickets. This is similar to the way fares are currently structured within London.
- Train companies would be able to create discounted, premium, train-specific and personalised variations of these fares, for example, charging less at quieter periods, more for first class, less for reduced flexibility, and so on. This ensures that fares are priced appropriately to market and are not simply the sum of their parts.
- Protection from excessive fares through regulation of key price levels rather than of specific fares types, for example commuter fares, with systems programmed to ensure that the cheapest available fare that meets customers’ needs at the time of sale is offered.

Amongst other improvements, reforming fares in this way could mean that:

- Commuters travelling from outside London into the capital and in other major cities could benefit from the kind of weekly capping system currently available for journeys within London. With pay-as-you-go pricing and a tap-in tap-out system, commuters that currently buy weekly season tickets could save money when they travel fewer than

five days a week or are able to travel off peak. This supports changes in working patterns, with part time working and self-employment having increased by over a third in 22 years. 90% of consultation respondents wanted consideration (definitely or maybe) of price capping.

- Long-distance and leisure travellers could see demand spread more evenly across the day, potentially reducing overcrowding by up to a third on the busiest services. Updating regulations around peak and off-peak travel would mean ticket prices could be set more flexibly, spreading demand for a better customer experience. This would be supported by a wider range of on the day fares. 78% of respondents wanted consideration of fares that encouraged empty seats to be filled.
- All customers could have more options to travel flexibly and no longer need to commit at the time of buying their outward journey to the time of day when they will return. Instead they could mix-and-match different types of single tickets, and changing travel plans would be made easier. 74% of respondents wanted consideration of fares based on the amount of flexibility required.

If the proposals are developed and adopted, they could enable the industry to offer a ‘best fare guarantee’, so that customers would be assured that they are always paying the lowest fare available which meets their needs where and when they buy it.

A reformed fares system would make the most of technology like online accounts, smartcards and smartphones to make ticket buying simpler, so that customers are shown fares which match their needs while screening out irrelevant choices that cause confusion.

#### Fares reform and devolution

In addition to improving customer experience, updated fares regulations would help local political leaders have more control over their transport systems, where relevant powers are devolved. This would enable local political leaders to co-ordinate train fares alongside other local transport so that the system is set up to meet the challenges and opportunities of a future where Mobility as a Service, in which users pay for an end-to-end journey across different modes of transport in a single online transaction, increasingly becomes the default in our towns and cities.

A single-leg pricing structure would also act as an enabler to local reform, where control of pricing has been devolved. It could provide local leaders the opportunity to package up fares in a different way more suited to local passengers or more reflective of local investment. Combined with new public service contracts, this would unlock the full potential of a local, integrated transport offer.

Our analysis indicates these changes could stimulate 300 million more journeys over a ten-year period, growing the long-distance market by 6.5% and in turn generating additional revenues for government to reinvest in lowering fares in long-distance or commuter markets, or in the network. This increase in passenger numbers concentrated primarily on inter-city routes could particularly benefit the North, encouraging more commuting between its close cities and helping to drive up productivity.

As a next step we are currently developing a series of real-world trials to bring to life the benefits of reform to our customers, and undertake further financial modelling. We are also continuing to improve ticketing and retail as part of our wider reform programme, including further roll-out of bar-code and account-based ticketing.

#### What this would achieve

This re-structure could enable the whole country to benefit, giving customers greater freedom to mix and match their tickets and potentially offering savings for people working fewer than five days a week or travelling off-peak.

At the same time, inter-city travellers would see a far bigger range of cheaper walk-up fares and potential reductions in their peak-time travel, better spreading demand and reducing overcrowding. The changes would also banish confusing contradictory fares, so people would no longer have to find work-arounds to get the best deal.

We want to see the regulations underpinning the system updated, so that we can make improvements for the millions of people who travel by rail every day. Fares change is necessary however the system is organised, and we want the journey towards a better fares system to start now.



Contactless pay-as-you-go, including capped fares, would provide convenience, simplicity and flexibility for customers. Contactless pay-as-you-go can also allow customers to travel seamlessly between transport modes



Stephen Rhodes, Customer Director, Transport for Greater Manchester

### Meeting our principles

#### ♥ Customers at the heart

Our proposals for fares reform are based on a mass consultation, with over 20,000 people sharing their views, and in which 8 out of 10 wanted change of the system.

It moves from a system where customers are currently expected to identify the correct fare from a series of pre-prescribed 'bundles', working backwards to establish the best option for them – often against an array of bewildering choices - to one where customers tell us what they need, and we guarantee the system will work out the best fare for their requirements, every time.

As well as a simplified buying process, reform would make it easier to immediately see what passengers' options are if they want to change plans on the move, and make it easier to deliver hassle free refunds and automated delay repay when specified in contracts.

#### 🏠 Deliver value for money

With a reformed system customers would have far more control over the journeys they pay for, with the ability to mix and match their requirements from basic single fares to get the best price.

Reform would also mean fares that better reflect modern ways of working and living, offering the opportunity to save money by travelling at quieter times of day or fewer than five days a week throughout the year, where they may otherwise not be getting the full value of their season ticket.

And it would make it easier for everyone to get a good deal for their travel needs – not only those able to lock down and

stick to their travel plans in advance, but also by enabling a better range of cheaper fares to become available, including enhanced availability for on the day walk-up fares.

#### 🚗 Drive economic growth

Early independent modelling by KPMG indicates offering a better range of fares at different times of day on the long-distance markets could stimulate over 300 million more journeys on services with capacity for growth over a ten-year period on top of the 1.7 billion journeys which currently take place on the network. This would catalyse local economies, encouraging more commuting and business trips between towns and cities across the country.

#### 🏘️ Strengthen communities

Our proposed changes to the fares structure would enable local political leaders across the country to have more control over their local and regional transport systems where the decision has been taken to devolve the powers and responsibility. This would increase their ability to co-ordinate train fares alongside other local transport in and around cities.

Additionally, a new system based on a single-leg pricing structure would allow the pricing of local fares to be disaggregated from the national structure of which they are part. This could enable local pricing decisions to be applied, for example allowing low wage employees to be given cheaper travel, if the devolved authority decided to prioritise and fund such a policy.

# Put a new independent organising body in charge of the whole industry



**We propose a new independent organising body which removes the politics from the running of the railway as far as possible and acts as the glue that binds it together. It would join up decisions, make sure customer needs are prioritised and hold the industry to account with penalties where it falls short.**

Our research has highlighted the need to rebuild trust among customers who often do not think the industry is working together effectively.

Our customers are right to identify blurred lines of accountability. Accountability on the railway has developed over time and without a clear plan. Ironically, twenty five years on from the ‘privatisation’ of the railways, central government is more involved in making day-to-day decisions about the railway than ever before, while the industry can be perceived as ducking accountability when things go wrong because it is not always clear who holds the levers to improve.

The Williams Review provides an opportunity to take an overarching view of where accountability should lie, and to make changes that will bring about better integration at a policy level and, as a result, better outcomes for customers.

As a core recommendation to address this challenge, we believe a new independent organising body should be established. This body would join up the system and provide a singular focus on the customer – while actively holding the companies that run the railway to account and ensuring local alignment of incentives and local accountability to customers.

The organising body would be responsible for implementing national rail policy while monitoring and enforcing standards across

the railway and ensuring local decisions about the railway work within a national framework. It would not be expected to make decisions about overall rail strategy and funding levels which are rightly for elected politicians, but rather would enable government to make those decisions and ensure that they are effectively implemented.

It would not be expected to control all aspects of implementation directly but would be accountable for longer term decisions at a national level. The new independent organising body would need to be distinct and independent from all delivery parts of the industry, enabling companies to focus on the day to day running of the railway while it focuses on the medium to long-term decision making. As a summary, it would:

- Ensure network integrity, both for passenger and freight users, is maintained, and that the customer gets a consistent offer.
- Ensure targets at a local level are aligned across track and train (see point 5), driving greater collaboration both nationally and locally across the railway, in pursuit of a better service for customers.
- Ensure consistency between the inputs and outputs; recognising the constraints that decisions have across the system.
- Ensure policy-making and decisions on infrastructure and planning are joined up with the capacity available on the network, rolling stock availability and the capability of the supply chain to deliver, ensuring the railway keeps its promises to its customers.

- Prioritise investment in the network. Unlike today, where decisions about where to invest in services are based on modelled data, new electronic ticketing offers the opportunity for these decisions to be based on real journey data, making them much more responsive to actual customer need.
- Co-ordinate investment on the network. Where there are conflicting demands and desires, determining the trade-offs and mediate between stakeholders.
- Oversee significant elements of procurement and major projects.
- Provide accountability through transparent and clear penalties for all parties involved in the delivery of services, only rewarding good performance.

To enable these changes contract procurement, contract management (see point 3) and some aspects of economic regulation of the infrastructure would be combined. We also suggest that the independent organising body oversees the implementation of freight policy (see point 7), and provides a coordinating role for on-rail competition (see point 4). In addition, it would liaise with local bodies to deliver services to passengers (see point 6).

#### **Clear roles and responsibilities for key industry bodies**

There are many rail industry bodies, some of which have overlapping and conflicting remits, creating questions around where ultimate accountability lies. To fulfil its purpose, there would be benefits in the independent organising body combining certain functions that currently sit within the Department for Transport (DfT), the Office of Rail and Road (ORR), Rail Delivery Group (RDG), Network Rail, and possibly some of those in the Rail Standards and Safety Board (RSSB), the National Skills Academy for Rail (NSAR), and Transport Focus. Consolidation of the functions in these organisations would drive greater efficiency as well as effectiveness and could potentially produce a net cost saving.

With this structure, we envisage that the existing roles and responsibilities of national devolved client bodies (Transport Scotland, Transport for Wales) would not be affected by the establishment of this new independent organising body.

#### **What this will achieve**

In summary, we believe that a new independent organising body would act in the best interests of the customers as well as the broader economic interests of the country. Free from day to day political interference it would be a champion for the railway, for its customers, and for the thousands of people who work on it. It would be the consistent, authentic and informed voice of the railway, now, and in the decades ahead.

## Meeting our principles

### ♥ Customers at the heart

The introduction of an independent organising body would ensure all parts of the industry are pulling together to meet common, customer-centric goals that would both enhance the reliability of the network and improve punctuality.

The single point of oversight would also ensure policy-making and decisions on infrastructure and planning are joined up with the capacity available on the network, rolling stock availability and the capability of the supply chain to deliver – so that the railway keeps its promises to its customers.

The organising body would drive the industry to be more responsive to customer demand, with the right levers needed to effect positive change held in one place.

### ⚖ Clear accountability

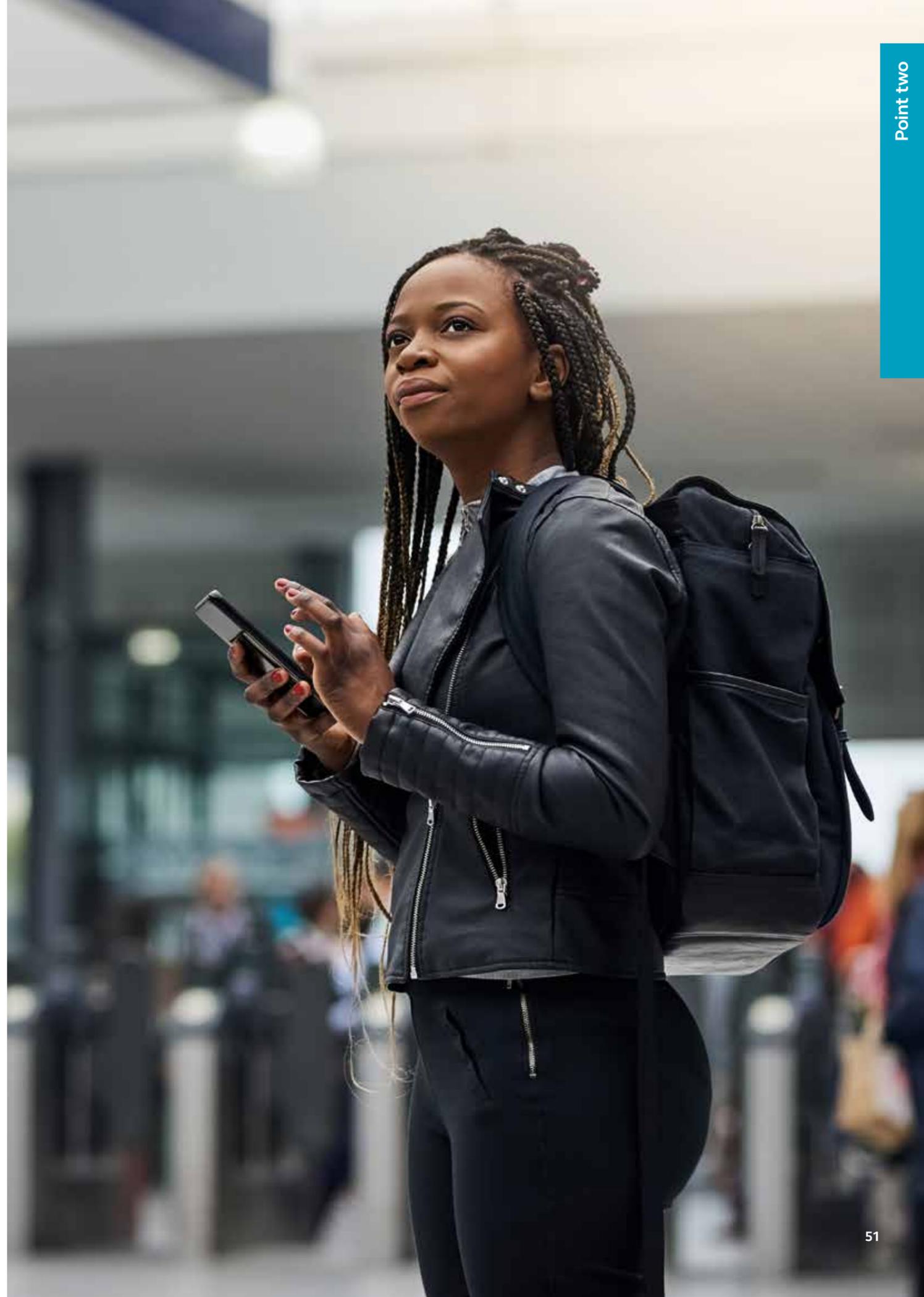
Better alignment of track and train targets (see point 5) delivered by the independent organising body, alongside clearer accountability and a consistent approach to enforcement across the industry, helping to end the blame game when things sometimes do go wrong.

### 💰 Value for money

A single body overseeing high level planning across track and train would significantly improve the ability of the industry to deliver projects on time and on budget, for example ensuring that infrastructure investment is aligned with rolling stock investment and this, in turn, is aligned with the capacity available.

### 🏠 Strengthen communities

The independent organising body would play an important role in supporting and facilitating more localised, democratically accountable decision making by joining it up with a whole network viewpoint.



**Introduce  
responsive,  
customer  
focussed public  
service contracts  
replacing the  
current franchising  
system**



**We are advocating the creation of a new system of contracts that would be more responsive to what our customers are asking for. Our new 'public service contracts' system would be made up of TfL-style single branded 'concessions' where usually an integrated transport body effectively runs the service, and new 'customer outcome-based' contracts, in place of today's tightly specified inputs-based model, which better incentivise the private sector to innovate to improve, while only rewarding good performance.**

Passengers' priorities on the railway are safe, clean, reliable, punctual, comfortable trains. All of our research and feedback supports this central point. This is our 'core product' – getting people and goods from one place to another in safety and comfort at the advertised time and at a reasonable price. Research by the passenger watchdog Transport Focus in its annual National Rail Passenger Survey (NRPS) reinforces our own findings, and also shows that the majority of people have only a limited conception of how the railway is structured, and who owns or runs stations, trains and tracks.

Many people, for example, are unaware that Network Rail, responsible for tracks, signals and engineering works, is a body in the public sector. People care less about the precise ownership and governance arrangements and more about whether their train is on time and if they will get a seat. Therefore, what matters is a system of contracts which enables delivery of a great service for customers, and reflects local, regional and national needs. There is no one-size-fits-all solution.

This is what drives our recommendation for a new model of public service contracts, relevant to local and national needs and tailored to the best arrangements for passengers. There are two different types of contracts that would fall under the public service contract regime:

- **Gross cost 'concession' contracts** where operators are given a concession to run a service by national, regional or local authorities (for example a city-region). These contracts might contain little or no revenue risk for the operators, just a straightforward price for the job of running an effective service. This could work on commuter routes, for example, where demand and revenue in peak periods are driven largely by economic factors, where passengers have little or no choice about how to get to work each morning, and where they just want a frequent, reliable service. They could also be operated under a single unified transport brand – making it clear to passengers who is accountable for the service.
- **Net cost contracts based on customer 'outcomes'**, for example numbers of trains arriving on time. These might suit markets where there is a greater choice of when and where to travel (e.g. leisure markets) and where there is stronger competition with other forms of transport. These contracts would be characterised by a fair balance of risk and reward between private and public sector partners.

The new public service contract approach for the delivery of passenger services should reflect the market it is there to serve, with sufficient democratic oversight where natural market conditions are limited. They would include better aligned incentives and targets between track and train (point 5), driving excellent performance, facilitated by greater partnership working.

#### **Concessions**

There are a number of examples on Britain's railway where concession contracts have been used to deliver what customers want, for example in London (see case study). These

typically involve most or all revenues being received by the client body, with the train operator focussed on cost and service quality management.

While suitable under certain conditions and potentially some markets, concessions are not the answer everywhere. Concessions would work well in some commuter areas for example, where a significant part of revenues are driven by external factors such as employment levels, and where integration between other forms of transport (cars, buses, cycles, walking, river, air) is an important factor, as in London. Where they are suitable, there still needs to be sufficient flexibility in the contracts to respond to changing customer requirements and economic conditions.

Hybrid solutions are also possible. When we conducted our research of other countries' railway systems, we noted that in some Swedish and German concessions, part of the subsidy is based on the quantum of services provided but the remainder is related directly or indirectly to passenger usage. Other contracts migrate from gross cost to net cost once financial performance has been established after, for example, a number of years of operation.



**Right now the industry is fragmented and the system must strongly incentivise operators to be accountable to passengers when things go wrong.**



**Chief Executive, London TravelWatch**



**Longer-term thinking is essential, we need rail to interconnect with other modes of transport. We need a system that joins up decision-making processes whilst prioritising the customer.**



**Sarah Longlands, Director, IPPR North**

#### **Case study: Transport for London (TfL) overground concession**

London Overground (LO) is a suburban network serving London and the surrounding areas. It serves a large part of London as well as the home counties, with 112 stations including Cheshunt in the north and West Croydon in the south, and Richmond in the west to Stratford in the east, on seven different routes.

LO is considered highly successful, this is evidenced through high National Rail Passenger Survey (NRPS) passenger satisfaction scores of 90% in 2016-17 and 87% in 2018. Frequent media reports also hail this model as exemplary.

London Overground infrastructure forms part of the Network Rail network and operational services were contracted out by Transport for London (TfL) to Arriva Rail London (ARL) in 2016. Prior to this, operational services were run by London Overground Rail Operations Ltd (LOROL) from 2007, after the DfT devolved the operations of the North London Railway to the regional body. In the most recently let concession, the contract is a fee-based, no revenue risk (gross-cost) contract with TfL retaining branding and publicity.

At its initial launch, TfL invested heavily to improve service frequencies and station facilities, staffing all stations, introducing new rolling stock and enabling contactless ticketing on the network from the start. The contract contains several change mechanisms which can be invoked by the client body. These include fixed, pre-agreed change mechanisms (price book) and stipulate a set time needed to give notice.

We believe this type of concession contract, delivering high levels of customer approval, deserves close examination. It should be viewed as a model for future arrangements in other parts of the country.

### Contracts based on customer ‘outcomes’

At present in franchise specifications, the high level of prescriptive detail creates barriers to implementing new products for customers, and barriers driving better value for money or growing the industry. Effectively, it reduces the benefits of private sector involvement and reduces innovation that could benefit customers.

We recommend that instead, client bodies should focus on setting the outcomes they are seeking, leaving flexibility for the operator to determine how those outcomes should be delivered and able to respond to changing customer needs.

At the same time, it is vital that these contracts attract maximum interest from private sector operators, so that strong competition generates the best outcomes for customers and maximises revenue for governments.

### Contract management and the allocation of risk

Key to making any market work in practice is the allocation of risk. It is an important feature of a public service contract model, driving innovation and value for money. The basic principle is that risk should be placed with the party best able to manage it. This must be proportionate, sustainable and capped to deliver good value for customers and taxpayers through maximising competition. This drives innovation, customer focus and efficiency from the private sector.

We believe the allocation of risk needs to better reflect those risks best managed by client bodies and those best managed by train operators. A private sector operator taking on risk for unforeseeable and exceptional events over which it has no control – whether they be economic factors, such as a recession which fundamentally changes travel patterns, or some large scale financial risk is not appropriate. This recommendation was made by the Brown Review (2013), which argued that contract holders should be responsible for risks they can manage and should not be expected to bear risk from wider economic or other external factors.

The size and value of public service contracts is also important, and we believe that a wider spectrum of these, including smaller contracts, and longer-term contracts, would attract a wider range of investors and bidders.

Finally, our view is that contracts, particularly longer-term contracts, should include the possibility of being reset to be able to react to significant externalities which materially change the assumptions on which the contract was based. Nothing should be written in stone, so that if things outside the control of operators change during the time covered by a contract, the arrangements can be altered to suit the new conditions. This flexibility would mean the railway is not weighed down with inflexible contractual requirements. It would also give client bodies the ability to respond to changing customer needs.

### What this will achieve

We believe these new proposals for public service contracts will be a positive move away from the current franchising system. Through contracts that reflect local requirements, they would create a railway that can respond to what its customers need, with greater collaboration, accountability and clearer responsibility when things do not go well. Crucially, the public service contracts system would drive customer and taxpayer benefits by securing more private sector investment and harnessing innovation and efficiency through enabling a reinvigorated vibrant competitive market.

With this new system, we intend to build on the successes of the last 25 years, in terms of investment in new trains, faster services, and more passengers, while embracing the opportunities of the next 25 years.

## Meeting our principles

### ♥ Customers at the heart

Concessions are specified with the customer as the focus and are designed to deliver reliable, frequent services that are usually integrated in to the wider transport offer.

Customer-outcome based contracts are designed to be more responsive to what the customer wants, giving the operator room to flex with their changing demands. The specification for both these contracts can be undertaken by the Independent organising body or a democratically accountable client body at a national or local level.

A more sustainable market place would make rail more attractive to new entrants, with more vibrant competition driving the industry to push up standards.

### ⚖ Clear accountability

Public service contracts give accountability either through the local client body in some cases, and where transport powers have not been devolved, the independent organising body. Outcome-based contracts enable clearer accountability to customers.

Across all public service contracts there would be a transparent system of penalties where performance falls short.

### 💰 Value for money

A reformed public service contracts system would drive customer and taxpayer benefits by securing more private sector investment. This would harness innovation and efficiency through a reinvigorated vibrant competitive market.

# Giving customers more choice of operators on some long-distance routes



**For some long-distance routes, having more rail companies - competing for passengers - means they could be offered a range of different services based on what they want. Whether its quicker more comfortable journeys or faster Wi-Fi, demand would shape the market; meaning rail companies would have to adapt to the needs of passengers if they want to keep their business.**

We know from experience that competition is an important principle for delivering a successful railway. This is supported by a number of examples where having multiple operators (including on-rail) in a market has resulted in businesses diversifying their offer to customers, innovating to give customers more choice as to how they travel or providing a better value service.

A good example of this in the UK is on the East Coast Main Line, which has franchisees as well as two open-access operators. Passenger services on this route have benefited in a number of ways, including:

- **Higher customer satisfaction:** Arriva operate the Grand Central open-access service on the East Coast Main Line in the UK, which is also served by four other operators. This service was established in 2007 and has grown the market as well as achieving high level of customer satisfaction, traditionally offering more leg room and cheaper on-board services than its rivals. At the start of 2019 Grand Central had the highest passenger satisfaction of any long-distance operator in the National Rail Passenger Survey (Autumn 2018) and the 2019 Which? survey gave Grand Central “five-star ratings for seat availability and value for money.”

- **Customer responsive fares products:** On the London to Yorkshire and the North East route, the franchisee (formerly East Coast) removed non-franchise specified carnet tickets from their offer. However, customers liked this product and therefore both open access operators on the same route decided to introduce their own carnet for business tickets, which were 50% cheaper than individually purchased tickets. In addition, on-rail competition has led to fares rising more slowly than elsewhere on the network.
- **Stronger passenger growth:** Competition on the East Coast Main Line showed that stations where there were directly competing services saw 42% growth in passenger journeys as opposed to 27% for those stations without a competitive offer.

RDG has developed the following two options for appropriately structured on-rail competition, in light of the benefits it brings:

- **Competing customer outcome-based contracts** (see point 3): We believe these should be considered where there are opportunities to deliver different customer propositions to the passenger along the same route. For example, currently the Virgin West Coast contract, which runs fast services, is in competition on the same route as the London North Western Railway, which runs the stopping services. While Virgin offers a more premium service and North Western offers a cheaper service, both meet the needs of their respective markets.

- **A structured open access competition model:** This market driven, less specified and controlled approach to on-rail competition could work where there is sufficient demand for different types of services and a commercial incentive to provide them, for example on some long-distance routes. While the services would not be specified by the independent organising body, it would have a role in ensuring efficient use of capacity and in bundling up access rights, to be packaged and sold or auctioned to a small number (probably two or three) of different operators. Other than providing services in accordance with the access rights that operators hold, there would be no specific obligations to meet, in contrast to public service contracts. Operators would have the flexibility to swiftly adapt their offer to what their customers value.

In contrast with today’s typically short-term contracts, open access operators would be long-term businesses with planning horizons which aligned better with those of the infrastructure provider. These longer-term horizons would create stronger incentives to address issues such as staff engagement, industrial relations and productivity, while rewarding innovation and providing incentives to invest.

We understand the social, cultural and economic value of certain rail services, beyond a narrow definition of the bottom line and are committed to ensuring that services which are not economically viable but which deliver a social benefit are still provided. With our proposals, the new independent organising body could ask the open access operators to bid for a subsidy to provide any non-commercial services where there is a social need for rail (see point 2).

#### **Considerations for establishing more on-rail competition**

A number of challenges would need to be overcome to implement these models. For example, there would be greater coordination challenges with more operators, but aligned targets and incentives (see point 5) coupled with partnership agreements between Network Rail and operators could overcome this.

In addition, ensuring the bundles of access rights achieve efficient use of capacity could be facilitated by the independent organising body (see point 2). They would work alongside the established System Operator (currently within Network Rail), using enhanced modelling capability to enable the best possible decisions on the trade-offs between using that capacity and enabling reliable, punctual services.

We recognise the need to make the transition from one franchisee to a number of operators as smooth as possible, including issues around the transfer of staff and use of depots or maintenance facilities. A specific challenge to address would be to avoid wasted government investments such as rolling stock procured by government which operators are not compelled to use. And we need to avoid the potential loss of economies of scale if there are an increased number of operators serving one route.

It is also important to protect the premiums that government currently receives from services on long-distance routes. In the structured competition model, revenues would need to be optimised through reforms to the track access charging regime rather than through contract bidding process.

RDG will continue to consider how these challenges can be met. However, it remains our view that there would be tangible benefits from competition, with customers experiencing greater choice and innovation on their services.



### Meeting our principles

#### Customers at the heart and accountability

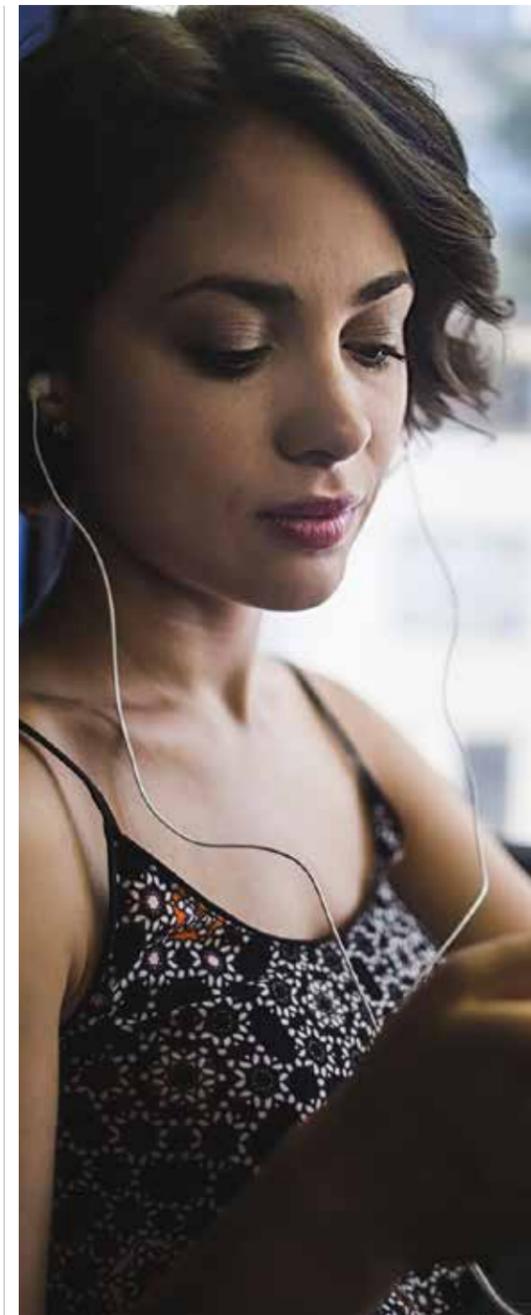
In a competitive market customers would be able to vote with their feet if they didn't like the service of a particular operator, knowing they could instead choose other services on the same route. Operators would need to be far more agile and responsive to customer's needs as a result, as evidenced by the higher levels of passenger satisfaction on routes where open access operates.

#### Value for money

Where there is competition in the market, evidence shows the customer benefits from better value for money and in some cases lower fares.

#### Economic growth

Longer-term operating rights encourages more private investment, for example rolling stock and investment in under-served regions in the UK, connecting key economic centres through improved rail links.



### Example case study:

#### Easier fares, more choice on intercity routes

Amy works for a tech start-up in Newcastle. She regularly travels back to London, where she went to university, to see her friends, or to Peterborough to see her Mum and Dad. Her work is flexible – there's no nine-to-five and work comes in peaks and troughs. Amy finds it hard to make plans too far in advance and so, under the current system, she finds herself paying a large part of her disposable income in rail fares bought the day she travels.

In a reformed system, with a choice of intercity operators and an easier to use system of fares, Amy would be able to use her smartphone to shop around for the service which suits her best and costs her the least. As with airlines, companies on intercity routes would fight for Amy's business with offers, discounts and more options. Amy would have more control, and she would be spending less each month.

**Make sure track  
and train are all  
working to the  
same customer  
focussed goals**



**We are advocating that a single thread of consistent targets and incentives running through the whole industry, from CEOs to frontline teams and between the track and the train, should be introduced. This would see all parts of the railway pulling together in the same direction – ending the blame game.**

We know that customers place a significant amount of value on railway services which are punctual, reliable and frequent – our core product. The system today does not always promote this, for example there is often a mismatch between the performance targets set by the DfT contained in the train operator contracts, and the performance level expected of Network Rail by the regulator ORR.

We want to see aligned incentives designed to:

- Improve overall performance and service levels
- Deliver improved value for money for passengers, freight customers and funders
- Increase investment across the railway
- Ensure efficient planning of capacity on the network

The new independent organising body (see point 2) would be accountable for aligning these complex systems of targets, objectives and incentives, while maintaining a core focus on what both passengers and freight users need. It would have the strategic oversight to make sure that the outcomes mandated in the new ‘public service contracts’ (see point 3) take into consideration any dependencies to deliver improvements to infrastructure performance in order for those outcomes to be realised.

Within this new regime, both train operators and Network Rail need to continue to have strong incentives to reduce delays, including ‘reactionary’ (knock-on) delays, irrespective of who originally caused the initial incident. It is also important that there are appropriate incentives to ensure rail services are not unduly disrupted by infrastructure works and equally, that the infrastructure manager has sufficient access to the network.

There is concern that current mechanisms (Schedules 4 and 8 of track access contracts) do not always incentivise the right behaviours by train operators or Network Rail. We believe further work is needed to consider changes that would make them more fit for purpose.

#### **Putting passengers first – Network Rail’s transformation initiative**

The railway has made some important recent strides towards better alignment, in particular Network Rail’s ‘Putting Passengers First’ initiative which involves deeper devolution and localisation to regions and routes. We believe devolving responsibility to the routes in this way will create empowered businesses which train operators can work with more effectively to align targets and be accountable to customers at a local level. Following through on Network Rail’s ‘open for business’ initiative should also drive cost efficiencies and potentially leverage more private sector investment to grow the network while minimising the burden on the taxpayer. Effective comparative competition between regions and routes should drive improvements in performance and efficiency.

#### **Driving collaboration without vertical integration**

There are many different types and forms of vertical integration between the infrastructure provider (track) and the train operator (train). We assessed five different models based on the alignment of customer-focussed goals such as punctuality, reliability, safety and frequency. These were:

- Shallow alliance – collaboration between the train operator and infrastructure manager
- Deep alliance - collaboration based on contract – including a single Managing Director and shared financial interests
- Joint management – a devolved transport/rail authority lets two regional contracts for train operation and infrastructure management.
- Single agency – a single, public, vertical integrated entity (with ability to outsource) running track infrastructure and train operations.
- Long-term concession – a single private entity operating trains and managing infrastructure under a long-term contract.

We believe that most of the benefits of all of these can be achieved by implementing our reforms without the need for vertical integration of activities in a single company. That is not to say that partnership or alliancing arrangements would not complement our proposals. It is evident though that effective integration is highly dependent on people, relationships and collaborative behaviour – organisational and legal arrangements are not solely enough to effect change.

Our proposal of an independent organising body responsible for system integration, combined with Network Rail’s devolution, new ‘public service’ contracts, and aligned targets and incentives will support far closer integration and collaborative working without losing the benefits of a network wide approach. At the same time our proposals allow this to be complemented by more formal collaboration arrangements between Network Rail routes and train operators on some parts of the network.



**We want a reliable system for small business and a railway that runs on-time, uncertainty is the problem.**



**David Tucker, Chair, Transport Policy Unit, Federation of Small Businesses**

**What this will achieve**

Aligned targets and objectives will help enable each part of the industry to work together to common goals. By having targets and objectives between Network Rail regions, routes and train operators all aligned to achieve what the customer needs, clearer accountability to the customer and a better service is created. It will also deliver better value for money for passengers, freight customers and funders because we can plan more efficiently, and take the whole railway into account, not just fragments of it. Aligning targets between all players and enabling a greater degree of commercial freedom would in addition help encourage efficient whole-industry investment decisions and unlock business cases that may not have been previously viable due to costs and benefits falling on different parts of the industry.

Finally, greater focus on aligning our workforce with the long-term success of the railway and creating more sustainable businesses, will enable higher levels of investment and engagement in our people.

**Meeting our principles**
**🤝 Customers at the heart and accountability**

Aligned objectives, targets and incentives between Network Rail regions, routes and train operators would point everyone in the same direction. By having a clear line of sight from those targets and objectives to customers, a clear line of accountability is created, helping to end the blame game when things sometimes go wrong.

Working collaboratively and with a greater focus on the customer will also result in improved performance with fewer cancelled or disrupted services.

**💰 Value for money**

By reducing points of friction in the system created by competing or contradictory targets, having targets aligned would reduce the overly contractual approach to the way operators and the infrastructure provider currently interact.

Aligned targets and incentives will deliver greater cost efficiencies and improved value for money for passengers, freight customers and funders by allowing for efficient planning and whole system decision-making.

**💡 Inspire our people**

Ending the blame game of misaligned targets would help create a better ethos of partnership across the industry work force.

**Example case study:****Clearer accountability, faster forms of redress**

Ajay is a regular user of his local railway for both leisure and work. He relies on the trains, and just wants them to be punctual, reliable and frequent. He understands that things will sometimes go wrong but, when they do, he wants to know someone is in charge of putting them right and to understand what his options for getting home are. Today, he feels powerless because he does not understand who cares about him and his journey, and feels too often that everyone passes the buck. He never bothers to claim compensation even if he is entitled to it, as he feels it is too much hassle.

With our proposals, as he lives in a city-region in the North of England where transport decisions are devolved, he could have confidence that the decisions that really affected his life would be taken locally by people who understood his priorities, and he could hold those people to account.

Ajay could have confidence that the companies running the railway were working together to the same end – making sure his service was punctual, reliable and frequent and, if it did go wrong, that he had quick and easy access to the compensation he would be entitled to. And, with the independent organising body overseeing the whole railway, he could have confidence that there was someone to hold rail companies to account for the service he receives.

# Bring decisions about local services closer to home



6

**Where appropriate, for example in larger city regions which serve commuter markets, customers would benefit from local transport bodies being given more power to design and specify local services, bringing decisions about the railway closer to the communities it serves.**

A recent evolution in the UK's ever-changing constitution is combined local authorities covering city-regions, for example in Manchester, Sheffield and Tees Valley. These city-regions, headed by an elected mayor, cover significant centres of population and have responsibilities for economic development, public transport and housing and regeneration.

Where appropriate, for example in larger city regions which serve commuter markets, it would be beneficial to devolve aspects of determining the railway services to regional transport bodies including those which serve city regions. Doing so has the potential to provide clear benefits to local customers, supporting investment decisions which take in to account local economic needs and putting rail at the centre of an integrated transport offer.

As an example of where this has been successful, TfL's investment in the previously unreliable and congested North London line saw stations remodelled, services added, and with its private sector operating partner, new trains introduced - resulting in substantial benefits to rail users and the local economy. The line was also integrated with the newly extended and refurbished East London line to create London's new orbital railway, which gained its own orange colour creating the London Overground network we see today.

It is because of benefits such as these that we also believe that in addition to devolving rail further to regional transport bodies, where decisions have already been devolved, such as in Wales (via Transport for Wales), Scotland (via Transport Scotland) and in London (via

Transport for London -TfL) these arrangements should be maintained and enhanced.

**Working with the new organising body to maintain a network-wide approach**

Of course, one potential drawback of devolving decisions about local railway services is the risk of fragmentation of a truly national system. We know from the early history of the railway the dangers of different areas doing their own thing, without co-ordination of timetables or consistency of railway gauges.

That is why there is a need to maintain network benefits, such as national timetabling and through ticketing, to protect users of the network who cross boundaries. This is where the role of the new independent organising body is key (see point 2). For example, in the new system we propose, local bodies that do not have an established regional transport authority or the appropriate capabilities to specify rail services but are nonetheless contracting them out, would work with the independent organising body to draw on their expertise.

They would also work collaboratively with the independent organising body to ensure local services tie in with the wider national network. Alternatively, and this would be important during a transition period, the independent organising body could contract with train operators on behalf of the local bodies while maintaining a strong voice in specification.

Other ways in which the independent organising body would help facilitate a devolved approach include informing the local body on trade-offs that need to be made for efficient overall use of network capacity or the additional funding needed to deliver greater capacity to accommodate local services.

As set out in point 2, in the event of competing uses of capacity, the organising body would decide on the appropriate trade-offs.

**What this will achieve**

With these kinds of reforms, services would be much more responsive to local needs, and more adapted to local economies. The railway can help to unlock economic potential across city-regions, linking up employers and potential employees, bringing goods to markets, helping SMEs in the supply chain, and creating new apprenticeships and jobs on the railway. A truly local railway can add to a sense of place and pride in locality, generating community feeling and a shared sense of citizenship.

### Meeting our principles

#### Strengthen communities

A single national approach to specification will never be as responsive to local needs as one that allows for local democratic influence within a national framework. Local decision makers know their local community needs best. By giving greater input to democratically elected bodies, passengers' needs are far more likely to be reflected in the specification of railway services - and when their requirements change, the service changes with it.

#### Clear accountability

As decision making for transport is devolved politically, the contracts that would be specified and managed locally would have democratic accountability.

Alternatively, the devolved local body would work alongside the independent organising body to specify and manage contracts, ensuring that local priorities are reflected in local rail services.

#### Drive economic growth

Local decision makers know their local communities, and understand best the role rail needs to play to support the economic growth of their towns and cities - for example through integration in to their industrial strategies and housing agendas.

### Example case study:

#### **A better service for regular commuters**

George has been with his firm of accountants for thirty years, and commutes to his office in central London from the Home Counties. He remembers British Rail and knows the service has got a lot better since the 1990s, but he is also frustrated things have not improved fast enough recently and the rail companies do not seem to work together better. He spends over four thousand pounds a year on his season ticket, and some mornings is not even able to get a seat.

In his day, work was nine-to-five, Monday-to-Friday, but things have changed. George is now doing more of his work from the small office he has at home - perhaps one or even two days a week. But he still has to pay that four thousand pounds - even though he is not using the train anything like as much as he did five years ago.

With our proposals for reform of the fares system, George could travel when he wants, and the price he paid would reflect the journeys he actually made and not the ones he didn't. And, if he went into work later, or left earlier, he would pay even less if he travelled outside the busiest times. With the companies running the railway working together to achieve the same end - making his service punctual, reliable and frequent - George would feel much happier that he was getting real value for money and a better service.



# Enhance freight's central role in delivering for Britain's economy



**We want to work with government to develop a clear national framework to put freight at the core of the government's business, environmental, and transport strategic policy making. It is important that freight obtains the access it needs to the whole rail network to keep supermarket shelves stacked, the lights on and the economy moving in a global marketplace.**

The very first railways were designed to move freight and it has remained a central part of the business of the railway for nearly 200 years. Every year, the rail freight market delivers £30 billion of goods to customers across Britain and generates £1.7 billion of economic benefits. There are also environmental benefits: taking freight off the overcrowded roads reduces carbon emissions by 76% when compared to road haulage.

However, if we want to see more goods moved by the railway and off the roads, we need a joined-up policy approach from government. It will not happen by chance, but only by choice. We propose the following framework to support freight as part of the wider reforms to the railway.

- **Government policy should be aligned across modes:** Government policy tends to be split by different modes of transport (road, rail, air), whereas companies think across all the modes of transport, deciding which combination of transport delivers their goods as effectively and efficiently as possible. As governments develop their policies, there must be greater alignment and joined-up thinking to allow rail freight companies and other freight operators which ultimately link to the rail network, to get the best possible arrangements. Our proposals for an independent organising body (see point 2) would help with this.

- **A set of consistent legal, commercial and regulatory mechanisms is needed to underpin continued business confidence and private sector investment:** Assets in the sector such as locomotives, wagons and cranes typically last about 30-35 years. Freight operators invest in these long-term assets without any guarantees from government. We need a stable framework so that freight operators can plan and invest with confidence.
- **A network and timetable that is co-ordinated on a GB-wide basis is essential:** 80% of freight journeys cross current Network Rail route boundaries and deliver goods right across the country. A co-ordinated GB-wide timetabling process, including co-ordination of engineering access, and a dedicated Network Rail freight team, provides significant benefits by making transactions between Network Rail and freight operators more efficient.
- **Modelling capabilities should be enhanced which better capture the value of rail freight, to help make choices about network use:** On an increasingly congested network, there are inevitable trade-offs that must be made between different types of services. There is also a trade-off between using capacity and retaining the ability to recover the service after a period of disruption. There are limited models available that support these trade-offs. We need more new models and tools to allow informed trade-offs to be made and we welcome plans by the System Operator to enhance modelling capability.
- **The UK-wide charging regime that provides long term clarity and is affordable should be retained:** It is crucial, given the nature of their business and markets, we retain a stable and affordable network-wide charging regime for freight

operators. Freight operators compete directly with road hauliers amongst others. In contrast to the rail charging regime, road freight operators do not pay directly for the wear and tear they impose on the road network, or for the congestion and disruption they impose on other users of the network. Many of the products that are shipped by rail could also be shipped by road. Therefore, to maintain the environmental and decongestion benefits rail freight offers we need a system of charges which is sustainable, competitive and fair.

- **An industry structure that provides strong incentives to all parties to encourage freight growth should be prioritised:** The rail freight industry welcomes the focus on freight in the Scottish High Level Output Specification, with specific freight journey time and performance targets, and other requirements around gauge clearance and maintenance. The rail freight industry would encourage similar commitments to be contained in future policy documents from other administrations, including the devolved administrations and sub-national transport bodies.
- **Industry processes that provide flexibility for freight to respond to changing industrial and logistics demands must be retained:** The rail freight industry is driven by customer needs. It relies on winning contracts from its customers, who are often large national or multinational companies. Businesses are constantly evolving their logistics chains as customer demands change. In the short-term, the needs of freight customers can change frequently, according to the season or the phase of the project (such as in the supply of construction materials). It is important that freight operators are able to react speedily and efficiently to these changing business



**Transport planning is driven by passenger needs not the economy. There is often a mismatch on the fundamental metrics by which decisions on transport are made which impacts freight on rail.**



**Maggie Simpson, Director General, Rail Freight Group**

requirements, for example by amending and adding new timetabled train paths.

#### What this will achieve

A huge part of the railway's contribution to the UK economy rests on our ability to move thousands of tonnes of freight across hundreds of miles of track and onwards through ports and airports to the rest of the world. Rail freight must remain a key component of our modern economy. But to ensure a solid future for freight, we need a robust policy framework to join up thinking across all modes of transport. If we achieve this, we will see a growing rail freight business linking all parts of the UK, long-term investment in rolling stock and other assets, and reductions in road congestion and carbon emissions.

#### Meeting our principles

##### ♥ Customers at the heart

Greater alignment of government policy making would support freight operators in meeting the needs of their customers.

##### 🚚 Drive economic growth

Britain's economy depends on the ability of rail to move thousands of tonnes of goods and materials around the country and out to the world via our ports, every day. To meet that demand now and in the future, requires long-term strategic policy making to support ongoing investment in additional network freight capacity, freight facilities and rolling stock.

##### 🏘️ Strengthen communities

Freight provides vital logistics links across the country and internationally, supporting jobs and growth. It also delivers significant environmental benefits and reduces congestion on our road network.

# Invest in our people to deliver positive long-term change for our customers



**We want to develop a new approach to working with the unions, governments and the industry which provides our people with the skills, resources and rewards they need to deliver generational change in the railway.**

The railway creates skilled jobs in every region, signs up apprentices, gives working families stability, and contributes to Britain's manufacturing base. The success of Britain's railway rests on a highly-skilled and valued workforce, so we want a new holistic approach to engaging with employees, and aligning rewards from booking office to boardroom, with our people sharing in the success of a job well done. At the same time we will pursue a relentless focus on developing skills, valuing and encouraging diversity, and establishing fair systems of rewards.

We value the people who work on the railway, at every level and in every part of the country, from engineers to signallers, from station staff to train crew, and the trades, professions and suppliers that makes the railway run every day. And as the railway moves forward, we must ensure our workforce is ready for the challenges of expansion, more passengers, greater use of digital technology, and changes to outdated systems. No-one wants change to lead to conflict. In partnership with governments, we want to work more closely with the trade unions, as the rightful voice of many in the workforce. We all want to ensure customers are not disadvantaged because of strikes and to reduce the numbers of days lost in the UK economy because of industrial action.

Over the next decade, the age, diversity and skills of our workforce will change. For example, 50,000 workers, about a fifth of the people currently working on the railway, are due to retire by 2033. We will lose people with skills, experience and knowledge. We will need to encourage people to join as apprentices and entry-level jobs, to entice people with experience from other sectors, and to develop our existing staff with training and opportunities to move into new roles.

We want to embed skills into every part of our system, encouraging and supporting people from more diverse backgrounds into the railway, for example BAME candidates, and those with disabilities, while attracting talent from other industries with competitive systems of incentives and rewards.

Specifically, the industry should introduce or enhance:

- **Long-term incentives:** a reformed system of public service contracts should set long-term outcomes in relation to the workforce, incentivising the adoption of a more holistic and stable planning horizon that will benefit the whole industry.
- **Leadership and skills programmes:** supporting industry to bring on and support the best talent, developing leaders with experience of every part of the railway, and who reflect the diversity of the whole industry.
- **Cultural change:** supporting a structure that promotes everyone to act in the long-term interest of the customer.
- **Collaboration on diversity:** both formally and informally to increase diversity at all levels and identify pathways for key roles, such as the driver academy and leadership initiatives. We will tackle outdated attitudes and prejudices.

- **Meaningful involvement through new public service contracts:** enabling employees to provide early and meaningful input into the specification process.
- **Better working relations with trade unions:** work in partnership with trade unions on issues such as diversity and developing skills.
- **Preparation for a digital future:** enabling our people to maximise the potential of new technologies and automation with more training to prepare for a digital future.

**What this will achieve**

We want to deliver excellent customer service for the growing numbers of people using the railway. As the digital revolution continues to provide new ways to improve access to information such as timetables, and services such as ticketing, we want innovation to be delivered smoothly for customers, by fully-trained staff.

As we work to recast rail as part of an integrated transport door to door offer, the types of jobs people do on the network will evolve to meet these new challenges. But we know we will need more people, not less. That's why we will continue to invest in our workforce, unlocking the brilliant potential of our people, and developing the flexible and transferable skills we will need for today, and on tomorrow's railway.

**Meeting our principles**

**Strengthening communities**

In the future the railway will need more jobs, not fewer, as it rises to meet the challenges and opportunities of the next 25 years. A reformed railway with a fully engaged, diverse workforce offering long-term, rewarding careers will attract the best and brightest from the communities it serves, strengthening towns and cities across the country.

**Inspire our people**

We want to continue to invest in our workforce, unlocking the brilliant potential of our people, and developing the flexible and transferable skills we will need for today, and on tomorrow's railway.



# Conclusion



## The time for change is now

Questions about the direction and character of Britain's economy have focussed many minds on the future of our country. We are grappling with some of the biggest issues facing any nation: the sources of our economic strength, what kind of public services we want, and our place in the modern world. Whatever the British people decide about these pivotal dilemmas, it is clear that the railway can play a role at the heart of our future economy.

As the people delivering railway services, the industry has a vital insight into how to ensure the railway is fit for purpose through these challenging times ahead. We welcome the opportunity afforded by the Williams Review to make bold reforms to the railway, designed to improve what we do, and deliver for the millions of people, communities and businesses which rely on the railway. We have argued consistently that the only constant on the railway must be change.

We are unapologetic in our conviction that the best way forward is a reformed partnership between public and private sectors, with the great traditions of public service and private sector innovation joining forces to deliver a world-class service. This is what works around the world. At its best, it delivers benefits to the customer, generates investment in the railway, and allows innovation and improvements.

Our eight point plan is anchored in practical experience and insight from the people who use our services every day. That's why our proposals, for example for easier fares, more choice on intercity routes, devolved decision-making, and new public service contracts, are focussed on improving things for our customers. Adopted in full, it adds up to a bold programme for change.

We believe the following should be priorities for reform to deliver improvements for the customer and for Britain in the years to come:

- Implementing the 'Easier fares for all' proposals in full within the next 3 to 5 years, to deliver the modern, up to date system our customers are crying out for
- Moving quickly to establish an independent organising body in shadow form
- Reforming public service contracts and re-starting the process of awarding contracts
- Ensuring alignment of objectives, targets and incentives across the industry
- Devolving funding and specification of rail services to the most appropriate democratically elected bodies
- Harnessing the benefits of Network Rail's transformation programme

It is essential we make swift and sustained progress towards a new system that is focussed on delivering for customers. A Partnership Railway.

The White Paper developed as a result of the Williams Review should be a clear and unambiguous plan for change overseen by a board including representatives from Government, customer bodies, employees and the wider industry.

Now is not the time for tinkering with the system, nor a retrenchment to the unsatisfactory models of the past. We need to build on our successes, and learn from our mistakes, while recognising the challenges and opportunities ahead. The railway is a vital part of our national life. It belongs to us all, and reaches deep into our shared memories and culture. Now, we must make the changes which will secure the future of the railway, so that it can expand, innovate and deliver the world-class service the Britain demands and deserves.

## ***Rail Delivery Group***



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