

Jonathan Cooper
Alliance Rail Holdings
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Dear Jonathan

Great North Eastern Railway Company Limited (“GNER”) S17 Application

Thank you for the opportunity to respond to your recent Track Access Application. This application raises a number of important issues that need to be resolved before your application can be properly considered. In particular, we believe that this proposal requires a major recast of the East Coast Main Line (“ECML”) timetable – the timing of such a recast needs to be considered within the context of the capacity enhancements planned for the route, the introduction of ERTMS and the full deployment of the Class 800/1 (IEP) fleet. In addition, there needs to be a full review of the Access Charges framework.

Revenue Abstraction

We believe that the abstraction from this proposal will be on an unprecedented scale. We are happy to share our analysis in this regard with the ORR. The revenue abstraction would significantly reduce funds available to the Secretary of State, significantly reduce long term franchise value and put at risk the business case for any future government investment in the ECML. For these reasons alone, we object to your application.

Capacity

We believe that the East Coast Main Line is capacity constrained and agree with Alliance that this proposal cannot be delivered without a major recast of the timetable. We believe that to achieve the extremely ambitious proposed journey times, the paths would need to be hard wired which will have a significant detrimental impact on all other services around them, worsening the overall ECML timetable to the detriment of other users and customers. Further, we believe that this proposal, if successful, would undermine the overall integrity of the ECML timetable, reducing connectivity, extending journey times to other destinations and further reducing the value of this franchise to government.

In our opinion, the Alliance business case relies on significant revenue abstraction from the franchise operator and a major recast of the ECML timetable in December 2016 to the detriment of the timetable currently offered by East Coast. East Coast can

find no reason to support a major recast of the ECML timetable in December 2016 – this position is consistent with our imminent Section 17 application. Our application seeks to extend our existing rights in their current form until 2019/2020, followed by an increase in quantum and reduced journey times to coincide with the various interventions that will have been delivered by then. These interventions include completion of the capacity and journey time improvement schemes funded through the CP5 “ECML Connectivity Fund” (by March 2019); introduction of ERTMS between London and Doncaster (completion expected by 2020) and the deployment of the new Class 800/1 (IEP) fleet (expected early 2020). We strongly believe that this proposal should be considered within the context of a December 2019 / 2020 major recast that we know is necessary to ensure that the best use of capacity is achieved following the delivery of significant investments in infrastructure and rolling stock that have already been committed. A major recast of the ECML timetable in December 2016 would represent a poor use of industry resource and effort, given that an even more significant recast is required so soon after. However, if incremental timetable improvements can be made between now and the major recast, these should be considered on their own merits.

In addition, before the ORR makes any decision on this proposal, we believe that it should take into account alternative applications from the franchise operator. Given the re-franchising competition, this may require waiting for the successor operator to make an application.

Access Charges

We note and welcome the ORR’s intention to review Access Charges in early CP5. Given the inequality of the current regime, we believe that significant change is required to enable an economically sustainable railway going forwards. This application is to operate principal services for 15 years along the entire ECML – this is not an application for marginal use of spare track capacity. Indeed, the journey times stated will require core ECML capacity and as such, the operator should expect to pay access charges in full. We also believe that the charging regime should reflect the economic value of the paths being used and that operators benefitting from investment in the infrastructure (over £700m of enhancement in CP4 & 5) should make an appropriate contribution for using it. These will require changes to the regime and we look forward to contributing to the Access Charge Review in the near future.

Until the Review of Access Charges has been concluded, we do not believe that it would be appropriate for any new long term rights for open access operators to be granted. This will then allow Alliance to plan the future of their business with a reasonable degree of assurance.

Questions for Alliance:

- What provides Alliance with such confidence that capacity will be available to deliver this proposal from December 2016 (i.e. before CP5 infrastructure enhancements have been delivered)?
- To what extent does Alliance believe that a timetable recast is required to deliver this proposal?
- Does Alliance believe that this proposal can be delivered if East Coast’s access rights continue in their current form beyond 2016?
- Does Alliance believe that this proposal will still be financially viable should the proposed journey times of 3h 43 prove to be undeliverable? For example, if the paths were 4h 20, would the proposal be viable?
- To what extent does Alliance believe that their proposals and in particular stated journey time aspirations would impact on other services currently operating on the ECML, in particular, those long distance services operated by the current operator of East Coast?

- East Coast notes the ORR's Moderation of Competition – Final Conclusions "*The Regulator acknowledges that competing services that are primarily abstractive of incumbents' revenue without compensating economic benefits – cherry-picking services – are undesirable*". Please explain in full how and why your proposal does not involve cherry-picking.

For all these reasons, we object to your application at this time.

Yours sincerely

A handwritten signature in black ink, appearing to read "Phil Dawson". The signature is stylized with a large initial "P" and a long, sweeping underline.

Phil Dawson
Regulation & Track Access Manager