

James Nutter  
Metro  
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24 April 2014

Dear James

**SECTION 17 PROPOSED TRACK ACCESS CONTRACT: (ALLIANCE RAIL HOLDINGS – GREAT NORTH EASTERN RAILWAY)**

Thank you for your response; this is Alliance Rail Holdings' (Alliance) response on behalf of GNER. For clarity GNER is a subsidiary company of Alliance Rail Holdings Ltd.

Alliance is pleased that Metro is in principle supportive of our proposals but disappointed that it places significant emphasis on the hope that a franchised operator might better provide services. I would remind you that Bradford, Halifax, Brighouse, Mirfield, Wakefield Kirkgate and Pontefract only have direct services to/from London because of the commercial risk taken by Open Access operator Grand Central. Bradford indeed had been all but abandoned by the franchised operator. Metro's 'conditional' support is therefore disappointing.

In response your letter we have the following comments:

In Para 10 you state *“we do believe that given the current franchise competition for the InterCity East Coast (ICEC) Franchise, it would be wrong to allocate paths / a track access contract now to Alliance Rail GNER Bradford/Ilkley and Cleethorpes services, without the ICEC franchise competition having been concluded, and the implications thereof having been considered alongside the Alliance proposal”*.

Alliance notes your comments which suggest that new services provided by a franchised operator are preferable to those provided by an Open Access operator. I would again remind you of the previous East Coast franchise competition when West Yorkshire was 'promised' a number of new 'franchised services' none of which transpired – and before that Bradford's four daily franchised London services reduced to one. Fortunately though for passengers that actually use services, Grand Central persevered and now operates 4 services daily, and also employs a significant number of people at Bradford.

We therefore fundamentally disagree with you on this issue. In your response you also appear to believe that franchised operators have some stronger claim to provide passenger services. The franchised operators do not hold any higher priority to access the rail network than Open Access operators. If Metro can cite any legislation that makes this a requirement please can you provide this. Indeed it is a fact that EU legislation requires commercial services to be open to full and fair competition in the market.

Alliance has made these proposals now so as to fully inform franchise bidders and the DfT about the Alliance plans so they could be taken into account. The bid teams therefore have had time to take our proposals into account and consider any potential implications.

In paragraph 11 you state your belief that our proposal “will no doubt be seen as a major risk to ICEC bidders and could heavily influence their proposals for improved LDHS services to and from West Yorkshire.” Alliance has made these proposals now so as to fully inform franchise bidders and the DfT about the Alliance plans so they could be taken into account. The bid teams therefore have had time to take our proposals into account and consider any potential implications.

Indeed the DfT has sought to protect the franchise bidders from the impact of our King’s Cross to Edinburgh proposals in the ITT. It has not chosen to do the same regarding any potential impact of the GNER West Yorkshire and Cleethorpes services.

In respect of new franchise services specified in the ICEC ITT for West Yorkshire, the ITT has not specified any improvement in Bradford and Leeds services. Although the ITT has specified a number of new destinations for the ICEC franchise, the only West Yorkshire destination mentioned is Huddersfield – which is already the subject of an actual application lodged by Alliance by way of its GNWR subsidiary. As GNER’s proposals represent the only planned improvements for Leeds and Bradford passengers perhaps you would now revise the level of Metro’s support.

In respect of capacity in paragraph 12 you state “Metro would wish to understand in detail Network Rail’s viewpoint on this in terms of route capacity”. Alliance’s position in relation to capacity is that capacity exists as it was funded by way of “The CP4 Delivery Plan, Programme 18 – East Coast Main Line improvements”. The output of which is as below:

### **Output**

*These schemes deliver both the HLOS passenger kilometre specification for strategic route 8 and the London capacity specification for the East Coast.*

*The following will be provided (the baseline being the December 2008 timetable):*

- *up to two additional freight paths per hour between Peterborough and Doncaster;*

- **up to one additional long distance high speed passenger path per hour off peak (note: there are currently 7 paths in many off peak hours);**
- **up to two additional long distance high speed passenger paths in each peak hour; and**
- *operation of up to ten outer suburban services per peak hour, with up to six of these being 12-car formations, subject to calling pattern.”*

Alliance concludes that the capacity is available as a result of the CP4 Programme 18 schemes the value of which was just under £700m.

In addition during CP5 Network Rail has been funded by ORR in relation to the East Coast Main Line (ECML) Connectivity Fund. This is £247m to improve capacity and journey times. Alliance is confident that the £900m of funding on ECML schemes during CP4 and CP5 will deliver the stated benefits in Network Rail's Delivery Plan. If it does not then one must question the value to the taxpayer, the government and the rail industry.

In paragraphs 13 and 14 you comment on the impact of our proposals on the franchise operator and ultimately the Department for Transport's (DfT) budget. As I am sure you are aware, the economic test undertaken by the Office of Rail Regulation (ORR), the Not Primarily Abstractive (NPA) test is used to gauge any impact on the Secretary of State's funds. The NPA test does not just take into account the amount of revenue a new service will abstract. It balances this against the likely new business that would be generated and other compensating economic benefits. GNER's application comfortably passes the NPA test and evidence of this will be provided to the ORR as part of the complete business case.

In addition we would also point out our proposed services are not reliant on taxpayer funding as we do not receive a subsidy, and whilst Grand Central has continued to expand, the current East Coast operator has increased its premium payments year on year. I am surprised therefore that you focus on the DfT's budget rather than the improvements GNER plans (like Grand Central before it) for passengers in West Yorkshire.

Yours sincerely,



Ian Yeoward  
Managing Director