

Rachel Gilliland
Head of Commercial Freight
Network Rail
4th Floor, Kings Place
York Way
London
N1 9AG

27th April 2015

Dear Rachel,

Great North Western Railway (GNWR) Company Ltd trading as Grand Central West Coast (GCWC) - Blackpool Services New Contract

Many thanks for providing London Midland with the opportunity to comment on the Section 18 application submitted by GNWR (on behalf of GCWC), to operate new services on the WCML between Euston and Blackpool.

London Midland notes that this application represents a rationalised version of the previous application submitted by GNWR in June 2014, now containing only the 6 trains per day between Blackpool and London Queens Park / Euston. As you are aware, London Midland raised a number of concerns regarding GNWR's previous application (detailed in our letters of 10th July and 8th August 2014), primarily relating to the timetable and performance implications of the new services, and also the potential levels of revenue abstraction for franchised services. As a result, and notwithstanding the fact that GNWR's latest application represents a reduced quantum of services compared to the previous version, London Midland wishes to raise some similar concerns.

On the subject of revenue abstraction and future franchises, in our responses to GNWR's previous application in 2014 London Midland raised concerns about the commercial validity of the proposed GNWR calls at Trent Valley stations and Milton Keynes, which (when modelled by London Midland using MOIRA) suggested a significantly increased level of abstracted revenue from other operators, whilst generating proportionately very little new revenue and also duplicating service patterns that are already well-served by a number of existing operators. Noting the ORR's decision (22nd December 2014) on the previous application, which concluded that GNWR's operations would be unlikely to produce a ratio of generative to abstractive revenue of at least 0.3, London Midland requests further clarification as to which underlying aspects of the application have changed sufficiently to give GNWR the confidence that its refreshed application will pass the ORR's Not Primarily Abstractive (NPA) test?

Regarding the performance impact and overall process, London Midland understands that Network Rail support for GNWR's application was approved following the Sale of Access Rights (SOAR) panel meeting in April 2015. London Midland's own application to extend the access rights for our peak 110mph services into Euston (currently undergoing industry consultation as the 56th Supplemental Agreement) underwent prolonged negotiations with SOAR due to Network Rail's extreme sensitivity regarding performance risks on the WCML, to the point whereby the delays forced London Midland to submit the application to the ORR via Section 22A. Considering the delays and significant difficulties that London Midland experienced in satisfying the SOAR panel's performance concerns (for services that were already operating), London Midland would therefore

expect that Network Rail has applied at least an equivalent, if not greater, level of scrutiny regarding the performance implications for the GNWR proposal, and would like to understand from Network Rail the evidence base that its decision to support the Section 18 application has been taken upon?

With regards to the impact on future franchises, the proposed December 2017 implementation date would (taking into account the current timescales for franchise renewals on the WCML), mean that the introduction of the proposed services between Blackpool and Euston would arrive during the timescales of the 'new' West Midlands franchise. This means that any costs (in terms of revenue risk) would be factored-in by bidders as part of the franchising process. Whilst this would certainly reduce the level of financial risk faced by the current London Midland franchise, the scope of the next West Midlands franchise has yet to be confirmed by the DfT and it is therefore not possible to ascertain whether the services in GNWR's application could be accommodated alongside the aspirations of the DfT and other funders in any WCML franchise re-mapping.

As mentioned in our previous letter of 8th August 2014, London Midland submitted our own WCML service aspirations to Network Rail on 28th February 2013, which included the extension of Euston-Crewe services to Preston, and the extension of Birmingham-Rugeley services to Stafford (post-electrification). Given that the services in GNWR's application and London Midland's own aspirations would currently have equal status under Part D of the Network Code, London Midland requests that Network Rail confirms whether the capacity exists on the network to accommodate both the GNWR and London Midland proposals?

On this last subject, London Midland would like to re-iterate the concerns made in our previous letter of 8th August 2014 regarding the process for reviewing future capacity on the network, in particular the capacity-constrained WCML. Any long-term application should be considered as part of a wider review into the best use of capacity on the WCML, taking into account the aspirations for existing and future franchises via a holistic and managed approach.

In summary, London Midland must unfortunately object to the GNWR application until these concerns have been adequately resolved.

Yours Sincerely,



James Carter
Network Access Manager
London Midland

Copied to:

Ian Yeowart, Alliance Rail