

# Periodic Review 2013 First Consultation - London TravelWatch Response

September 2011

**London TravelWatch** is the official body set up by Parliament to provide a voice for London's travelling public.

Our role is to:

- Speak up for transport users in discussions with policy-makers and the media
- Consult with the transport industry, its regulators and funders on matters affecting users
- Investigate complaints users have been unable to resolve with service providers, and
- Monitor trends in service quality.

Our aim is to press in all that we do for a better travel experience for all those living, working or visiting London and its surrounding region.

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## Executive Summary

### We welcome

The opportunity to provide a written input to the first consultation of the Periodic Review 2013. London TravelWatch's role is to represent the interests of transport users in London and its surrounding area.

### We recommend

While we support the proposed objectives outlined in the consultation we consider that there are key areas where additional safeguards are required for passengers:

**Office of Rail Regulation objective for PR13** – Network Rail should be given specific targets to ensure that the rail network in London is prioritised for its efficiency and availability for use. In addition we recommend that a new target should be introduced to reduce the amount of disruption to passengers journeys caused by the amount of litter, rubbish, the railway's own waste and graffiti on Network Rail's controlled land and property (including on rolling stock).

**High-Level timetable** – London TravelWatch accepts the proposed timetable for the PR13 process and wants to be involved with this and to be consulted before a final decisions are made to make any changes to the rail network, as they affect passengers in London.

**Price control separation and Network Rail devolution** - Rail performance data should be disaggregated by regional area. Train operators should be given greater control over the business levers of train services but within clear boundaries to meet passenger requirements. There needs to be closer alignment of leadership structures between Network Rail and train operators, thereby establishing much closer relationships for the benefit of passengers.

**Outputs** – There should be a target on the use of the rail infrastructure in order to make sure the network is available to passengers on a seven day a week basis. If private investment is to be made in the network, the outputs should be identified and accountable. A new target should be introduced to reduce the amount of litter, rubbish and graffiti on Network Rail's controlled land and property.

**Incentives** – Route charges should be capable of variation by route. This could potentially give train operators the opportunity to charge lower or different fares, depending on the routes used. This would also encourage more efficient use of the available line capacity. Network Rail should operate with similar incentives to

train operators by being monitored based on the same outputs (passenger satisfaction, communication to passengers etc).

**Financial Framework** – A longer control period is better to meet passenger requirements because rail projects take a number of years to deliver and need a degree of certainty to allow them to proceed.

**Structure of charges** – we believe that the current charging objectives are appropriate, but that variable usage charges should be broken down by geographical area. On routes with scarce capacity a charge to reflect that scarcity could be a useful mechanism for managing demand. On electrified routes incentives to reduce the amount of electricity used to power trains, could mean that more and longer trains could be provided, thus reducing overcrowding at busy times. We advocate incentives to train operators to invest in electrification where this would increase rolling stock utilisation and efficiency, by providing better train services for passengers

# 1 Introduction

London TravelWatch provides this written submission to the Office of Rail Regulation's 'Periodic review 2013' first consultation as the independent statutory watchdog representing transport users of all modes in London and rail users in its surrounding area. For information, the map below shows London TravelWatch's areas of National Rail responsibility.

**Diagram 1 – London TravelWatch Rail Remit**



Passengers travelling within London make up the largest proportion of users of London and South East rail routes. Therefore we believe that our recommendations in this response are significant because we represent these passengers. The key facts to note about the London passenger are as follows:

1. London passengers account for over 70% of users on the National Rail network;
2. London passengers are representative of the London population as a whole. This means that passengers within London's population use public transport as their main means of travel to a far greater extent than other populations elsewhere in the UK;
3. Over 50% of all passengers in London walk to and from their station and fewer than 15% access their station by car.

London TravelWatch is thankful for being given the opportunity to respond to the Periodic review 2013.

Many of the matters examined relate to technical engineering issues, and/or involve complex financial analysis, to which London TravelWatch is not in a position to offer expert opinion.

London TravelWatch has however chosen to answer questions which we believe have a specific focus to passengers or implications for them; therefore we have not answered all of the questions in the consultation.

## 2 ORR objective for PR13

**Do you agree with our proposed objective for the review? If not, what issues would you add or subtract?**

Overall, London TravelWatch supports the objective of the review. London TravelWatch is pleased that the key issues being reviewed are:

- a) **Greater efficiency and value for money** - Value for money is very important for the passenger as it directly translates into a fare level, the quality of the service and the levels of the taxpayer support. In the National Passenger Survey, whilst passengers perceptions of overall value for money have increased in recent years, it is notable that the recorded level of satisfaction is still at a relatively low level. London TravelWatch is therefore very keen to see the railway industry as efficient as possible, while at the same time protecting the interest of the passenger as the end user of the majority of rail services.
- b) **Increasing demand and rising expectations** – Passenger demand in the London area is projected to increase during the period considered by this review and beyond. In recent years it has continued to increase even though there has been little or no growth in the general economy. This is because rail has been able to offer a competitive means of transport compared to other modes (in terms of time, comfort, accessibility and convenience). There has also been an ongoing increase in expectation by passengers of the levels of service that are provided on the rail network. In view of this it is essential that this periodic review takes account of the need to meet and manage both increases in demand and passenger expectations by give the industry a variety of mechanisms to help manage this situation.
- c) **Department for Transport (DfT) policy to encourage private sector investment** - London TravelWatch welcomes the policy suggestion for the DfT to encourage further private sector investment in the rail network, but we believe if private investments are to be made, it is important that outputs from these investments are identified and accountable.
- d) **Economic growth and carbon savings** – London is represents a significant part of the United Kingdom economy, and is heavily reliant on the rail network functioning efficiently to support that economy. Therefore it is essential that the rail network is delivered in a cost efficient and safe manner, as this will have a direct impact on the efficiency of the rest of the economy in the region. We believe therefore, that Network Rail should be given specific targets in relation to the network in London, to ensure the efficiency and availability for use of the network is prioritised.



The link below shows a route map of all the rail services in London:

<http://www.projectmapping.co.uk/Resources/TOCs%20AS%20v2.5%20London%202024.pdf><sup>1</sup>.

- e) ***Devolution and reform of Network Rail's structure*** – London TravelWatch believes there should be a reform of Network Rail's structure to enable a closer relationship with passenger train operators. This would benefit passengers by reducing the amount of delays during disruption, or reducing the amount of time when the network is not available due to planned engineering works. There should also be consideration of reforming and expanding Network Rail's objectives on how it manages land in its possession and access to it. This we believe should take the form of specific targets to pro-actively reduce the amount of litter, rubbish, the railways own waste and graffiti present on Network Rail controlled land and property.

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<sup>1</sup> [www.projectmapping.co.uk](http://www.projectmapping.co.uk)

### 3 High-Level Timetable

Do you have any views on our proposed timetable for the review? Do you need further information to plan your involvement with PR13?

- a) **Development phase** – London TravelWatch supports the proposals for this phase.
- b) **Formal review phase** – London TravelWatch supports the proposals for this phase.
- c) **Implementation phase** – If any changes are to be made, London TravelWatch should be consulted before a final decision is made and before the change is to be implemented. London TravelWatch has a statutory duty to represent passengers in and around London, therefore we believe it is important that we share passengers' views and make suggestions (with a passenger focus) towards any proposed changes to be made in the future.

## 4 Price control separation and Network Rail devolution (Annex B)

**Do you think that our approach to the disaggregation of Network Rail financial (and other) data to operating route is appropriate? Is the information we are requiring Network Rail to produce set at the right level? Do you have views on the information train operators should produce?**

It is vital that both Network Rail and train operators make sure there is consistency of data which they produce, in particular performance data.

We believe the Office of Rail Regulation (ORR) should provide performance data to a more disaggregated level by regional area in the National Rail Trends report. This information would be useful when monitoring train service complaints and train service performance in general.

We have also suggested that if performance data is to be disaggregated by regional area, it would be useful to show a historical breakdown of the regional performance statistics. The reason for this suggestion is when passengers make a complaint about the performance of a particular train service on a particular date, passenger representatives (London TravelWatch and Passenger Focus) can check to see what the performance figures for that particular time and area in which the complaint was made. If we are able to identify that the figures are low, this would give us more clarity to take the complaint further with the train operator.

Being the infrastructure manager, Network Rail has a vital role in coordinating the route utilisation strategies. But, in terms of improvements of the network, there needs to be a stronger emphasis on the passenger via the train operator. This would make it easier for train operators to invest in the network and take responsibility for managing the delivery of that investment.

We recommend that train operators should be given greater control over the business levers of train services; but within clear boundaries of outcomes along with the condition that they must genuinely involve passengers and stakeholders in the development of the train services to meet passenger requirements. This should give train operators more rights to control their business but within a clear contractual framework that they have to take responsibility for the delivery of the service to the public good.

We believe there needs to be a closer alignment of the leadership structures between Network Rail and train operating companies; therefore the rail industry should focus on encouraging these two parties to have a closer relationship.

**Do you think there should be further separation of the price control for Network Rail's operating routes and, if so, which aspects of the price control should be separate?**

We believe that further separation of price controls in Network Rail's operating routes could enable and encourage better utilisation of the network, for example lower charges for the use of slower / less congested routes could give train operators the opportunity to pass on savings to passengers by reduced or lower fares.

An obvious example of this would be the route from London to Birmingham. The route which is operated by Chiltern Railways should be charged a different rate to the more direct and faster West Coast Main Line route by Virgin West Coast, to reflect the fact that this route – which is slower and less direct, has more capacity available.

## 5 Outputs (Annex C)

**Is the current approach to defining obligations in terms of outputs the best approach? What outputs should be defined? Should there be a move to more use of outcome based obligations? Would another approach be appropriate such as specifying inputs or intermediate measures?**

Based on the availability of the infrastructure, we believe there should be a target on the use of infrastructure in order to make sure that the network is available for consistent seven day operation rather than a six day plus a randomly available service on the seventh day.

In addition, Network Rail's current incentives to improve and maintain performance are mainly driven by their contractual relationship with the train operators, as their commercial clients. In the interest of passengers however, it would be useful if Network Rail's incentives could be aligned with passenger satisfaction with services provided through train operators especially in relation to how service disruptions are dealt with.

We believe that if further private investment is to be made, it is important that outputs from these investments are identified and accountable.

We also believe a new target should be introduced which mainly focuses on the amount of litter, rubbish, the railways own waste and graffiti present on Network Rail's controlled land and property. We believe that this is important because passengers want to see a clean and well managed railway. In addition these would be important indicators by proxy for potential disruption to the rail network and passenger's journeys; reducing this visible problem would enable and encourage a reduction in more general disruption. At present Network Rail has a statutory duty to clear its' land of litter and waste etc, but the incentives for Network Rail to tackle this are not substantial. Network Rail believes it fulfils this duty by NOT being prosecuted rather than cleaning its land. There needs to be a clear set of targets for the following:

- Litter and waste because it is a fire safety risk to passengers, it is unsightly and gives the appearance of an unmanaged railway.
- Graffiti and cable theft on rail tracks because this involves and encourages trespass on the railway which causes disruption. This is based on our research 'Good Riddance to bad rubbish'.<sup>2</sup> We are due to publish a report in September which sets out the findings of an audit we carried out to monitor the state of litter on railway land.

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<sup>2</sup> <http://www.londontravelwatch.org.uk/document/10476>

We also believe that a target for reducing graffiti on rolling stock should be introduced, as it is Network Rail who is responsible for maintaining the property boundaries where these are stationed when out of use.

**Should we make more use of 'whole system' outputs over which Network Rail does not have full control, or focus on more narrowly defined outputs which the company is fully responsible for?**

We believe that currently outputs for both Network Rail and train operators are not clear; therefore there should be clearly defined outputs which clearly state their areas of responsibility.

## 6 Incentives (Annex D)

**Do you have views on how the effectiveness of the existing financial incentives can be improved? Are there further issues about how a regional efficiency benefit sharing mechanism should be introduced which you want to highlight?**

We believe the existing financial incentives are not very effective because currently there is no link between revenue which is taken from passengers by train operators and Network Rails expenditure on stations or on infrastructure.

In view of the importance to London of the rail network, the ability to efficiently use all available routes should be reflected in separate targets for improving services in London.

**Do you believe that Network Rail should share in train operator revenue and/or costs? Are there further issues about introducing a revenue/cost sharing mechanism which you would highlight?**

As stated in the response to the previous question we believe that currently there is a disconnection between investment, especially towards the infrastructure of the railway between Network Rail's revenue and passenger revenue. This disconnection needs to be addressed, such that where investment occurs in stations or infrastructure (e.g. electrification schemes), that any additional revenue generated can be set against the investment costs or any form of taxpayer subsidy that is allocated to a service or piece of infrastructure.

The current revenue support (subsidy) mechanism has been recognised not to fully give operators the incentives to generate efficiencies or additional revenue. Whilst franchised companies are in revenue support, there is no financial incentive for them to invest even if measures would result in increased revenue. Existing operators (in receipt of revenue support) have told us that schemes often have to have a return ratio of 1 to 6 or greater if they are to go ahead. It is this lack of incentive to invest which has the most impact on passengers, because it means that good schemes which would still produce a return, but which have a return of between 1 to 3, and 1 to 5 are not even considered for investment - even though they could significantly either reduce the industries costs or require for public subsidy. Reform of the mechanism of revenue support would therefore potentially have major benefits both for efficiency and revenue generation.

## **What are your views on exposing franchised passenger train operators to changes in Network Rail's costs at a periodic review?**

We believe that if Network Rail increases access charges to train operators, there ought to be a mechanism whereby an increase in fares as a result of the additional access charges can be mitigated.

In any distribution of risk and responsibility in a contractual structure it is a general practice that the party who is most able to influence and control that aspect of the contract should be given most responsibility. As the franchised passenger train operator is the organisation who actually delivers the service to the passenger it is rational to presume that they are in the best position to be in charge of the costs and revenues affecting that business.

## **Are there further incentives which you believe should be introduced and what would the benefits be?**

As noted above, we believe that route charges should be varied and charged by route to give the train operator the opportunity to charge a different fare in order to get maximum use of railway capacity. For example (as explained in chapter 4 of our response) for the same route between London and Birmingham, a passenger could be charged one fare by Chiltern railways and another can be charged by the West Coast franchise.

By giving the train operator greater control over the business levers of the franchise; this would likely generate the greatest potential for efficiency of operations. However, giving train operators greater control means there needs to be clear outcomes against which ongoing performance is monitored, such as:

- Levels of crowding on trains;
- Levels of ticketless travel;
- Levels of delays and cancellations;
- Levels of passenger complaints;
- Measuring passenger satisfaction;
- Obtaining an accurate assessment of the quality of information available to passengers;
- Obtaining a high standard of presentation of stations and trains.

We believe the performance management from the train operator and Network Rail needs to provide satisfactory approval at the correct time to ensure that they act in the best interest of passengers and tax payers.

We believe that Network Rail should operate with similar incentives to train operators, for example Network Rail's performance should be monitored based on the outcomes in the list above (crowding, delay, passenger satisfaction, quality of communication to passengers, presentation of stations etc). The increased level of crowding on trains is a huge concern for passengers, therefore



we believe there should be an incentive for Network Rail to provide additional infrastructure to assist train operators to reduce crowding, which will then result an increase of passenger satisfaction.

In cases where multiple train operators serve the same station there is a case for Network Rail to act as a co-ordinator of investment to ensure that passengers do not lose out, just because they form a small proportion of such a business. As an example, upgrading and installing ticket gates at Elephant and Castle station (leased to First Capital Connect but also served by Southeastern trains), would not be fully justified by First Capital Connect installing gate lines on its own. This could be justified if a joint scheme was put forward and funded by Network Rail, First Capital Connect and Southeastern.

### **Are there other interactions between incentives (and the wider regulatory framework) which we need to take into account?**

If train operators are given a greater role, there should similarly be a corresponding increase in the role of the Office of Rail Regulation (ORR) to ensure that train operators do not abuse their position of having greater freedom and flexibility, by either providing poor standards of service or by charging excessive fares.

It is vital for the rail industry to have independent but statutory consumer bodies such as London TravelWatch and Passenger Focus who can represent the interests of passengers. This is a separate role from that of industry regulation performed by the ORR. The ORR's role is necessarily to take a wider public interest concern, and to ensure that the operational functions of Network Rail and train operators are performed in a safe and efficient manner.

## 7 Financial framework (Annex E)

### What are your views on the duration of the control period?

As a consumer body, we believe it is better for passengers to have a longer control period because rail projects take a number of years to deliver and need a degree of certainty to allow them to proceed. This also gives passengers the certainty of project improvements to their stations and services being provided.

### Do you think that we should retain the single till approach rather than moving to a dual till approach?

We believe that a single till approach should be retained, for the following reasons:

- It allows commercial developers to deliver more benefits to passengers, which means there is more potential for passengers getting the appropriate facilities for their services and stations.
- If commercial developers deliver more benefits to passengers, this is more likely to reduce outgoing costs to the rail industry because commercial developers will be delivering improvements out of their own funding.

### Do you think that our overall approach to risk and uncertainty in PR08 was appropriate and are there any improvements that could be made for PR13?

We believe the overall approach to the risk and uncertainty in PR08 was appropriate and the recommendations from PR08 were properly delivered.

### Network Rail faces a number of risks. At this stage, do you have any views on how general inflation risk and input price risk should be addressed?

Network Rail does, we believe, cost in a lot of additional risk, compared to that in other sectors. As a result, this tends to make the cost of simple improvements e.g. putting in a new shelter at a station, more expensive than they otherwise would be and a reduction in benefit to passengers or improvements not going ahead because they are unaffordable.

## 8 Structure of charges (Annex F)

### Do you consider that our charging objectives remain appropriate?

We believe that the charging objectives remain to be appropriate.

### What are your views on the geographical disaggregation of variable usage charges?

We believe that variable usage charges should be disaggregated by geographical area because it would be useful to show how much the cost of providing train services differs by each geographical area. As noted above, we believe that the introduction of variable usage charges would be beneficial to the industry and passengers. Nationally, this would flow through to disaggregation by geographical area, which would be useful in stimulating greater efficiency and reducing operating costs.

If costs can be identified by geographical area, then it also follows that revenue generated (income) should also be identified in this way.

In the context of London and other metropolitan areas where there is a possibility of greater devolution of decision making to local transport bodies, such as the Mayor or Transport for London, the availability of such data would be a great asset in devising a fair and transparent method of showing costs and revenues. Potentially, this could help facilitate investment in passenger facilities and services.

### What are your views on introducing a charge levied to reflect network scarcity?

By having variable usages charges, capacity could be better managed as routes with lower usage charges (because they have more capacity available) could potentially pass on those reduced costs to passengers in the form of lower fares. Routes with very little spare capacity could have higher charges (and therefore higher fares) to reflect that scarcity.

### Should passenger open access operators pay charges that exceed variable costs. How should charges be calculated?

We believe that the current variable usage charge is fair.

### **What are your views on the proposals to improve incentives to reduce traction electricity consumption?**

We would welcome these proposals because the supply of traction electricity is often a constraint on line capacity and train length, which in peak periods can result in overcrowding

If there are incentives to reduce the amount electricity consumed as traction supply, this would potentially enable more or longer trains to run which would then potentially reducing overcrowding.

We would also like to see incentives for operators to invest in electrification and other alternative means of power supply to the use of diesels. This would enable greater efficiency in the use of rolling stock (such as electrification of the Barking-Gospel Oak line), improved route utilisation (reduction in crowding) and to 'hedge' against shortages of supply or increases in the price of single sources of energy.

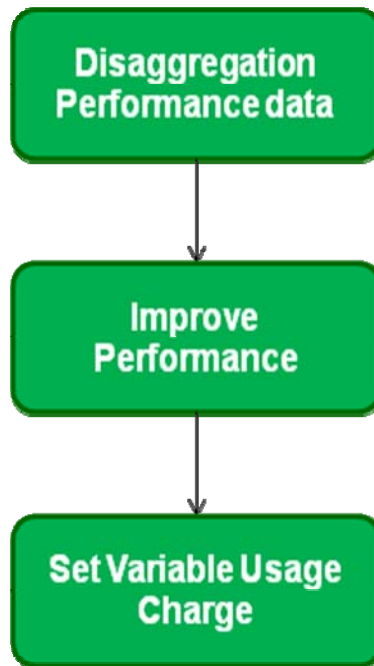
If train operators invest in such schemes, they should be rewarded with a reduced traction charge thereafter, as an incentive to improve the rail network and maximise the use of capacity. This in turn would benefit passengers by offering them a better train service and reduce crowding.

### **Should we put a cap on certain freight charges in advance of our determination and should these be linked to other changes?**

At present we believe that freight operators do not use all the (track access) paths which are allocated to them. Although freight operators pay an access charge, there could be opportunities for passenger train operators to re-use these paths for additional services. We suggest that if freight operators do not use all the rail paths which are allocated to them, they could be charged with a penalty; this would in effect give passenger train operators the opportunity to use this capacity more effectively and potentially reduce crowding.

### **Do you have views on the interactions between these possible changes and when they should be implemented – for example whether some changes should only be introduced after other changes have 'bedded in'?**

The diagram overleaf shows the process of disaggregating and improving performance relating to the eventual introduction of variable usage charges.



The first step to this process is to disaggregate performance data by region. Once the data has been disaggregated, it will be easier to identify where performance improvements need to be made which will then be a mechanism which will reflect the variable usage charged for different routes of train services.

## 9 Conclusion

This periodic review represents a golden opportunity to better align the objectives of Network Rail and train operators for the benefit of passengers and the tax payer in the period from 2014 to 2019.

Network Rail needs to have far greater incentives to see passengers as its customers rather than just users of the train operators that buy track access rights and station leases from it. To do this Network Rail needs to devolve more decision making, have a closer working relationship with passenger train operators when prioritising investment decisions, and to have similar targets to them in terms of passengers satisfaction and communication with passengers. Also required is the greater availability of data on performance by geographical area, incentives to reduce delays and disruption to passengers, the ability to vary access charges by route, and a structure of charges for access and electricity which encourage the efficient use of the network. There should also be a proactive target for Network Rail to reduce the amount of litter, rubbish, railway generated waste and graffiti on railway controlled land and property.

Train operators need to have greater control over the businesses that they are responsible for, and to have more incentives to invest in, and build up those businesses. At the same time as being given more responsibility, freedom and flexibility to run their operations there should be a greater level of accountability to ensure that the needs of passengers are being met.

London as the largest market for passenger trains in the United Kingdom, and the region that is most dependent on them, should be subject to specific targets for both Network Rail and passenger train operators to improve the delivery and planning of services.

At the close of this period in 2019 it is possible that a railway industry that is more accountable, transparent, efficient, attractive, competitive and passenger orientated will have emerged if the ORR adopts the approach that we advocate.

