

29 May 2015

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Dear Ian,

### **Section 17 Application by East Coast Trains Ltd for Open Access services on ECML**

Thank you for your letter of 8 April 2015 with respect to our application to operate services on the East Coast Mainline (ECML).

A number of matters were raised in your letter in relation to our application, which we would like to take the opportunity to respond to and that we hope will aid your understanding of our proposition. These focus on our proposition and the market effects and our proposed rolling stock. As you will appreciate, we have provided significant confidential information to ORR within our Business Plan that forms part of our application, which demonstrates the viability of our business model. However, there are some key elements of our approach that we are happy to share in this response.

#### **1. Proposition and Market**

Our service proposition is focused on growing rail's share of an enlarged travel market, achieved through: a new customer orientated model new offering simple ticketing and low fares which will form the bulk of our tickets offered on each service; utilising modern state of the art rolling stock; and one class of travel.

We are targeting those destinations that have large air markets, are served by the coach market or are currently underserved by rail. We have undertaken significant analysis using a range of techniques and data, and for example have been able to determine that of the existing total travel market between London and Edinburgh the vast majority of trips are taken by plane. Rail is the next largest, followed by a smaller but not insignificant amount of journeys by road, particularly by coach. The air market is served by both premium business and lower cost airlines.

The overall air market represents a large untapped volume of potential rail passengers. With passengers increasingly seeking better value for money than the existing rail options available, many price-conscious passengers have been driven to these low cost airlines to save costs, compromising on service quality, and facing the inconvenience and cost of a transfer from an out-of-town airport to their final destination. Low cost airlines are able to set prices at a relatively high level and still undercut the rail fare. Our research suggests that some airlines price their flights at, or just below, the prevailing East Coast price available at the time, with average advertised prices at any given time tending to be between 20% lower and 10% higher

than the advertised East Coast fare. There are also significant gaps in the rail timetable that the franchised operator has no published plans to fill.

We recognise that our proposition differs from those of GNER. However, we are offering something new to the rail market that through our simple approach of very low fares and a single class of travel is designed to attract price sensitive passengers who currently do not consider rail travel.

We acknowledge that the ORR has undertaken separate analysis of our proposals which will be presented in due course. However we are confident that our proposal significantly exceeds the NPA test, generating additional rail demand through modal shift as customers switch from both air and coach to our services.

## 2. Capacity & Rolling Stock

We are confident that there is sufficient capacity on the ECML for our proposed services from 2018. Our analysis has concluded that eight LDHS paths per hour in each direction in the off-peak are available following the planned investment in the route during CP5 and coupled with the performance characteristics and capability of our rolling stock. In the hours in which the Lincoln services operate there are nine Long Distance High Speed (LDHS) paths per hour, which is consistent with the findings of the Network Rail study. The ninth path is a feature of the nature of the service pattern on the route, which repeats over a two hour period during the off-peak.

Our timetable development work has taken account of other operators and does not use all available capacity on the route. There are a number of vacant paths available throughout the day. In particular we have been able to identify capacity for an additional 15 down and 13 up services over the entire day between London and Doncaster

We have also proposed that following ORR's decision on access rights an industry Event Steering Group (ESG) is established such that all operators together with Network Rail can develop a timetable that meets the requirements of all users.

Our fleet of electric trains will be brand new and fully accessible. We are working with Hitachi on the manufacture and maintenance of these state-of-the-art intercity trains similar to those produced for the Intercity Express Programme (IEP) and recently selected by First Great Western as a preferred option for services to the West of England which, with final approval from Government, will be delivered during 2018 in time for a full December 2018 timetable deployment. Our trains, which are the full electric variant of Hitachi's AT300 product, will differ slightly from those procured for IEP as they will have a single class of travel, each carrying around 400 passengers, albeit with legroom comparable to the IEP fleet. The rolling stock will initially operate at a maximum speed of 125mph, but can run at speeds of up to 140mph if the infrastructure is capable of supporting this in the future.

Our proposition will grow the overall rail market, which will lead to an increase in volume and revenue in the sector. There is also a significant wider economic benefit to the country as a whole through the implementation of our proposed services. We firmly believe that there is a compelling case for the access rights to be granted to enable these innovative, industry leading plans and investments to proceed. We will support the growth of local economies and jobs on the route and enable very significant reductions in carbon emissions, and boost competition across all modes by offering customers greater choice and lower fares.

Once again thank you for taking the time to respond to the consultation on our proposals. I trust that the information contained within this letter is useful. I am copying this letter to Rob Plaskitt at ORR.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Russell Evans', with a long horizontal flourish extending to the right.

Russell Evans  
Policy & Planning Director