

## **Portfolio Holder Transport and Highways, Decision To be taken on or after 22 June 2012**

### **'Rail Decentralisation' and 'Rail Fares and Ticketing' consultation responses**

#### **Recommendation**

That the Portfolio Holder approves the proposed responses to the Department for Transport's consultations on 'Rail Decentralisation' and 'Rail Fares and Ticketing'.

#### **1. Introduction**

- 1.1 On the 8<sup>th</sup> March 2012 the Secretary of State for Transport announced the publication of the Rail Reform command paper entitled 'Reforming our Railways: Putting the Customer First'. The paper sets out the Government's framework for reforming and improving Britain's railways for the benefit of passengers, freight and the taxpayer.
- 1.2 As part of the command paper the Government launched two consultations. The first consultation is on whether passengers would benefit if more decisions relating to local rail services were made closer to the communities they serve. As part of this consultation the Department for Transport (DfT) has invited sub-national bodies – Public Transport Executives (PTEs) and local authorities – to indicate their interest and come forward with outline proposals for taking on decision making responsibility for passenger rail services in their area.
- 1.3 The second consultation is on rail fares and ticketing and is designed to gather evidence to inform the Government's Rail Fares and Ticketing Review. The aim of the review is to establish how rail fares and ticketing could allow more passengers to travel and to have a better experience of rail whilst at the same time reducing rail industry costs.

#### **2. Implications for Warwickshire – Rail Decentralisation**

- 2.1 There could be a wide range of benefits for passengers and other local transport users from a locally controlled rail franchise. Benefits could include:
  1. Delivery of better service quality across whole rail network within the West Midlands which would be encouraged by an appropriate incentive regime and monitoring arrangement;
  2. A single approach to marketing, branding and ticketing across whole journey to work area which would simplify the rail network for passengers;
  3. More responsive decision-making and implementation of change to meet the needs of passengers; and

4. Provision of new rail services and new stations that are closely linked to other local plans for housing and economic development.
- 2.2 The West Midlands Regional Rail Members Group, at which Warwickshire County Council is represented, has considered a report on the Government's consultation documents on Rail Devolution and has resolved that it supports a devolved West Midlands Franchise and that further work should be undertaken to develop a proposal for devolution. A copy of the report to the Members Group is appended as **Appendix A**.
- 2.3 Securing appropriate governance arrangements for a devolved body will be key to its effective working and acceptability to the County Council. Within the West Midlands it should be possible to develop an appropriate governance structure which brings together Warwickshire, Centro and the other Local Transport Authorities across the region.
- 2.4 The County Council will be participating in discussions on possible governance options and what would be an appropriate franchise model for the West Midlands at the West Midlands Regional Rail Forum and the West Midlands Regional Rail Members Group.
- 2.5 There are no funding implications at present.

### 3. Implications for Warwickshire – Rail Fares and Ticketing

- 3.1 The Rail Fares and Ticketing consultation seeks views on a range of issues concerning the general principles of rail fares and ticketing and as such there are no immediate direct implications for Warwickshire.

### 4. Proposed Responses

- 4.1 It is proposed, subject to the approval of the Portfolio Holder (Transport and Highways), that consultation responses in the form of the drafts attached as **Appendix B (Rail Decentralisation)** and **Appendix C (Rail Fares and Ticketing Review)** be made to the DfT.

	Name	Contact Information
Report Author	Daniel Caldecote	01926 412044 <a href="mailto:danielcaldecote@warwickshire.gov.uk">danielcaldecote@warwickshire.gov.uk</a>
Head of Service	Graeme Fitton	01926 412046 <a href="mailto:graemefitton@warwickshire.gov.uk">graemefitton@warwickshire.gov.uk</a>
Strategic Director	Monica Fogarty	01926 412514 <a href="mailto:monicafogarty@warwickshire.gov.uk">monicafogarty@warwickshire.gov.uk</a>
Portfolio Holder	Cllr Peter Butlin	<a href="mailto:cllrbutlin@warwickshire.gov.uk">cllrbutlin@warwickshire.gov.uk</a>

## **Decision to be taken on or after 22 June – Item 1 Appendix A**

### **West Midlands Regional Rail Members Group 25<sup>th</sup> May 2012 Rail Decentralisation**

#### **Report of West Midlands Regional Rail Forum**

#### **Purpose**

1. To propose that the Rail Members Group supports a West Midlands Franchise Proposition in response to the Government's Rail Decentralisation consultation and the further work to develop a successful West Midlands Franchise proposition.

#### **Recommendations**

2. That West Midlands Rail Members Group:
  - Notes that the Government is currently consulting on decentralising responsibility for rail services
  - Considers the draft Consultation Response and the draft Expression of Interest for Government
  - Notes the potential benefits of a locally managed WM Rail Franchise
  - Agrees the role of the Regional Rail Forum to support the development of a WM Rail Franchise Proposition for submission to Government by 28<sup>th</sup> June
  - Endorses the role of Centro (WMPTE) to develop a WM Rail Franchise Proposition with the Regional Rail Forum and through the Regional Rail Members Group

#### **Background**

3. We need high quality rail networks and services for the West Midlands serving passenger needs and with capacity to meet growing demand, providing commuters with access to jobs in towns and cities and providing connectivity between local communities in rural areas.
4. We think we can achieve a better and more successful railway for the West Midlands by having a more direct hand in commissioning and managing a new West Midlands Rail Franchise and more directly influencing the priorities for rail investment which provide connectivity for economic growth
5. The government is currently inviting views on the benefits and opportunities for decentralising responsibilities for local rail services which are currently managed from Whitehall.

6. The West Midlands has already demonstrated an effective “single voice” in respect of the united response to the CP5 national rail capital programme development.

### **Proposed Approach**

7. We would like a single West Midlands response to this consultation proposing that the West Midlands authorities work together and with government to develop and manage a West Midlands Rail Franchise. This would take effect in 2015 when the current London Midland Franchise expires.
8. It is proposed that the Regional Rail Forum provides its expertise to work with Centro to develop a West Midlands wide approach. An important element of the proposition will be the governance arrangements to manage the development of a full Franchise Specification on behalf of the Rail Members Group. The RRF will work with Centro to develop a governance structure which represents WM partners’ interests and has effective stakeholder engagement.
9. The papers attached to this report for Members consideration, for submission by 28<sup>th</sup> June are:
  - a. Draft to the Rail Decentralisation consultation
  - b. Draft Expression of Interest to government
10. The Regional Rail Forum recognises that there are significant potential benefits from a West Midlands Rail Franchise and will work with Centro to meet Rail Members Group requirements.

Tom Magrath  
Chair West Midlands Regional Rail Forum  
17<sup>th</sup> May 2012

**Re: Rail Decentralisation Consultation**

Thank you for the opportunity to comment on the Government's consultation on decentralisation of rail services. The continuing commitment of the Government to improve the existing railway and passenger experience is welcome. The County Council has made substantial investment in providing improved rail facilities and continues to place a high priority on rail in delivering its transport policy. This has included working with third parties to deliver two new rail stations using third party investment and numerous other improvements to passenger information, safety and security at rail stations across Warwickshire.

The overall trend in the numbers of rail passengers in Warwickshire is one of sustained growth with rail travel becoming increasingly important. Commuting and business travel to the West Midlands Conurbation and Coventry form a substantial element of rail travel in the County for people from a wide range of socio-economic groups. In some communities in Warwickshire, trains provide essential 'socially necessary services' as rail is the only form of regular public transport. There is also significant use of rail for commuting and business travel to London and the South East. Rail journeys for retail, leisure and social activities are also growing.

Accordingly, the County Council response is as follows:

***Q1 - Experience of existing rail devolution arrangements.*** *Consultees are invited to identify lessons which may be learned from existing rail devolution arrangements in Scotland, Wales, London and on Merseyside, and which are relevant to any proposals for future rail decentralisation covered in this document.*

The experiences in Scotland, Wales, London and Merseyside demonstrate that having local oversight of an essential local service has delivered benefits for passengers, taxpayers and stakeholders. However the very different devolution models followed in each of these areas shows that there is no one approach which is appropriate for all areas.

A consistent fact across all the devolved areas is that the services being specified tend to be highly subsidised, but deliver significant wider economic benefits. This means that the commercial incentives on the operator to act in the best interests of the passenger can be weak without a clear specification and strong management arrangements.

Any model for devolved responsibility therefore needs to be developed taking into account the unique circumstances of an area and the services covered.

***Q2 - How decentralisation could contribute towards achieving objectives and outcomes.*** *Consultees are invited to submit views on how they consider that devolving responsibility could help achieve the objectives for the railway set out in paragraph 3.1.*

Devolving responsibility could help to deliver the objectives outlined in Chapter 3 as follows:

### **Cost reduction and enhanced value for money**

The consultation paper points out that the regional franchises are the most heavily subsidised nationally, and urban commuter services can often be particularly heavily subsidised due to the high peak resource requirement (for both rolling stock and train crew) but significantly lower off-peak demand.

A devolved franchise specified by a local transport authority should be better able to consider the peak service specification in the context of the overall local transport network, and allow decisions to be made on whether certain rail flows are best provided by other modes, or how improved integration could deliver more efficient outcomes.

Greater local influence over fares policy could allow options for encouraging use in the off-peak where capacity exists to be pursued more vigorously. The zonal ticketing structure which currently exists in the West Midlands metropolitan area is good basis for building better fares and ticketing arrangements across the region, and supporting future smartcard based tickets. A more flexible locally-specified franchise could find it easier to make trade-offs between fares, service levels and quality in order to balance outcomes for both passengers and taxpayers.

An example of where there could be opportunities for efficiencies in service operation is the integration of the current Chiltern Railways Birmingham Moor Street – Leamington Spa local service into current London Midland service patterns.

### **Local Democratic Control**

The County Council agrees that any move towards local control should ensure democratic accountability, whilst retaining rational railway service groupings and economies of scale. It should be relatively straightforward to define such a package of services within the West Midlands region.

### **Benefits for Passengers**

The County Council believes that there would be benefits to passengers and other local transport users from a locally-set franchise. Benefits could include:

- Delivery of better service quality across whole WM network, encouraged by appropriate incentive regimes and monitoring arrangements
- Single approach to marketing, branding and ticketing across whole journey to work area.
- More responsive decision-making and implementation of change to meet passengers' needs.

- Planning future services and new stations that are closely linked to other local plans for housing and economic development.

### **Supporting and Stimulating Economic Growth**

The rail network will have a crucial role to play in delivering economic growth across Warwickshire and the West Midlands, and it is therefore essential that the franchising arrangements are able to meet the needs of catering for growth, and also the flexibility to change to meet emerging needs.

### **Contribution to Carbon Reduction**

Rail has already demonstrated an ability to achieve modal shift from road – the growth in modal share into central Birmingham from 17% to 27% over the last decade has been accompanied by an equivalent reduction in road usage. By delivering the service offer, capacity and quality required by current and new users, rail has the ability to continue to take cars off the road and deliver a reduction in carbon.

**Q3 - Views on activities that should be devolved.** *Comments are invited on the list of responsibilities that should be retained by central government and those that might be devolved to sub-national bodies.*

The activities outlined in paragraphs 4.4 and 4.5 which suggest the areas which could be retained by central government and devolved seem an appropriate split. Comments on the areas the DfT is willing to explore devolving are as follows:

**Capacity: rolling stock** – the provision of train capacity will be a key issue for the new franchise and it seems appropriate that loading standards and capacity policy should be a matter for a devolved franchise body. However, the provision of rolling stock is a major cost area and it would be difficult for a devolved body to fund the subsidy costs associated with underlying growth. It would appear reasonable to expect the DfT to consider funding compliance with its national loading standards as part of any financial settlement for a devolved body, but with a devolved body funding the costs associated with any betterment of this policy.

**Capacity: Infrastructure** – there would appear to be an opportunity to devolve responsibility for funding certain infrastructure enhancements from CP6 onwards in order to ensure that the franchise development strategy can be fully aligned with the infrastructure strategy.

**Connectivity Enhancements** – A devolved arrangement would appear to offer to make it easier to introduce new rail services more quickly, cheaply and simply, without the complex commercial negotiations which can delay such proposals currently. There are several corridors within Warwickshire and within the West Midlands that would benefit from the introduction of new local services including Birmingham – Tamworth, and Birmingham – Nuneaton.

It is noted that the DfT is proposing that these local connectivity enhancements should be funded and specified by the devolved body as currently, however it is noted that the current DfT policy is to consider funding these services after three years subject to certain criteria being met. The current proposal is that the devolved body would have to take on the funding responsibility for new services for perpetuity. The implications of this would need to be carefully understood in the context the overall funding arrangements for the franchise, and should also be dependent on the exact nature of the new services being specified. For example, if a new West Midlands franchise were to specify and fund new local services between Birmingham and Nuneaton, this would have significant capacity and journey time benefits for the DfT-specified Crosscountry franchise and could delay the need for the DfT to fund additional rolling stock on these services. In these circumstances it would seem appropriate for the DfT to provide a funding contribution toward the new local services.

**Local Ticketing Policy** – A potential benefit of devolution would be the ability to widen the current zonal ticketing system which exists within the Centro area into the wider travel to work area. This could offer significant passenger benefits and reduce some of the pricing disparities that currently exist.

***Q4 and Q5 - Views on types of service that should be devolved. Which types of service are suitable for local control? Should longer-distance services be regarded as “strategic”, because they serve a variety of markets and economic purposes, and therefore be specified nationally? In areas where responsibility for local passenger services is devolved, what are the implications for other users of the rail network, including freight customers and operators, and how might these implications be addressed?***

A devolved body will be primarily interested in ensuring that effective local and commuter services are delivered in its area of responsibility, however on a multi-user network such as in the West Midlands it is recognised that all passenger and freight operators play an important role in supporting the economy and that there needs to be an appropriate balance between the competing demands on capacity.

In Warwickshire some local services are provided by the London Midland franchise, but Chiltern Railways, Crosscountry and Virgin West Coast also provide important local, regional and national connectivity.

It is accepted that there is a need for there to be national specification for the inter-city and inter-regional services, but these need to be developed in conjunction with the devolved local body, and these national franchise operators need to commit to working closely with the devolved authorities.

As stated previously in the response to question 3, there is the potential for a devolved body to specify new local services which could remove some of the local service requirements on longer distance services. This would benefit these services by reducing overcrowding and reducing journey times.



**Q6 - Views on the five options.** *Consultees are invited to comment on the models for decentralisation and how they might apply or be appropriate to particular parts of the country or service groups in a particular area.*

It is noted that the DfT has identified five potential models for decentralisation and the County Council agrees that these probably cover the range of possible options. We believe that there is unlikely to be any single model which is appropriate across the country, and each devolved proposition needs to be developed around its own local circumstances.

**Q7 - Views on governance.** *Comments are invited on issues related to the size of the area that needs to be covered by a devolved body and the governance issues that this may give rise to.*

Securing the appropriate governance arrangements and a franchise model for a devolved body will be key to its effective working and acceptability to the County Council. These will need to be developed according to the individual circumstances for each area and in the West Midlands it should be possible to develop an appropriate governance structure and franchise model which brings together Warwickshire, Centro and the other Local Transport Authorities across the region.

The County Council is currently participating in discussions on possible governance and franchise model options at the West Midlands Regional Rail Forum and the West Midlands Rail Members Group. The details of how such a structure would work in practice would need to be developed in parallel with the proposal for a devolved West Midlands rail franchise. The governance structure would need to take account of the franchise model, services covered and funding arrangements.

**Q8 - Views on funding.** *Consultees are invited to comment on the basis on which the level of funding to be devolved might be established.*

Determining the appropriate funding arrangements would clearly be essential to the success of a locally-specified franchise. Any funding settlement would need to meet the requirements of both the DfT and the devolved body and therefore further discussions on this matter would be critical.

**Re: Rail Fares and Ticketing Review Consultation**

Thank you for the opportunity to comment on the Government's consultation on Rail Fares and Ticketing review. The commitment of the Government for a modern, customer-focused railway which allows more passengers to travel and to have a better experience of rail is welcome.

The County Council has made substantial investment in providing improved rail facilities and continues to place a high priority on rail in delivering its transport policy. This has included working with third parties to deliver two new rail stations using third party investment and numerous other improvements to passenger information, safety and security at rail stations across Warwickshire.

The overall trend in the numbers of rail passengers in Warwickshire is one of sustained growth with rail travel becoming increasingly important. Commuting and business travel to the West Midlands Conurbation and Coventry form a substantial element of rail travel in the County for people from a wide range of socio-economic groups. In some communities in Warwickshire, trains provide essential 'socially necessary services' as rail is the only form of regular public transport. There is also significant use of rail for commuting and business travel to London and the South East. Rail journeys for retail, leisure and social activities are also growing.

Accordingly, the County Council response is as follows:

***Chapter 1: Principles of fares and ticketing regulation***

*Q1.1 - Do you agree these are the right objectives? Is there anything we've missed?*

The County Council agrees that these are the right objectives.

*Q1.2 - How effective do you think the current system is in achieving the Government's regulatory objectives?*

No comment.

***Chapter 2: Smart ticketing and season tickets***

*Q2.1 - Do you agree with the benefits and with the risks and issues we've identified in relation to smart ticketing? Is there anything we've missed? How might we address the risks and issues?*

The County Council agrees that the use of 'smartcards' and other modern technology can remove barriers to using public transport and that most of the risks and benefits have been identified. However, as stated in paragraph 61 of the consultation document, a 'pay-as-you-go' smartcard system does not appear to be the best model for the national rail network. This is because

passengers making longer distance journeys, which have more expensive fares, are more likely to want to know the maximum level of fare they will be charged before making their journey. This issue would merit further discussion with the wider rail industry to assess the best way forward.

*Q2.2 - Do you agree with the issues we've identified with the current system of season tickets? Is there anything we've missed?*

The County Council agrees with the issues identified.

*Q2.3 - What features would you expect to see in a smart, flexible and more tailored season ticket? (Please select all that apply)*

- o Fares vary by time of day*
- o Fares vary by day of the week*
- o Fares reflect the number of journeys actually made*
- o Other (Please state)*

No Comment.

*Q2.4 - Do you have any other suggestions as to how season tickets could be tailored to better meet the needs of particular groups?*

No Comment.

### ***Chapter 3: Using fares to achieve more efficient use of rail capacity***

*Q3.1 and Q3.2 - Do you agree that introducing new commuter fares could help the railway operate more efficiently by encouraging some commuters to change their travel patterns? What do you consider to be the main benefits and the main risks/issues with introducing new commuter fares?*

The County Council agrees that changing fare levels will change travel behaviour and would bring a welcome reduction in overcrowding but it is not clear whether this will result in a railway that overall operates more efficiently. The changes that passengers would make appear to depend on local circumstances such as whether the car is a realistic alternative mode of transport. Commuters travelling into London have no other meaningful alternative options for travelling. In these circumstances peak spreading could be expected following the introduction of higher peak and high-peak fares. Commuters in other areas, for example between Nuneaton into Birmingham, could easily choose to drive their car and whilst this would reduce peak overcrowding it would have the unintended result of increasing city centre congestion.

*Q3.3 - How could we ensure that any new commuter fares structure was as fair as possible?*

The question of whether a new fare structure is or is not fair is more of an issue if there is no alternative mode of travel to the destination. This is more likely to be an issue for travel to and from London where rail has a captive market. The

County Council is concerned that for commuters travelling to and from Birmingham that fares should be affordable and should be less than the full cost of the equivalent journey by car, as estimated by leading motor organisations. Higher fares could lead to passengers choosing to drive instead of taking the train which would erode the wider benefits that are secured by people choosing to travel by train.

*Q3.4 - How could we use fares to achieve more efficient use of rail capacity on intercity services?*

Intercity services outside of London are used by commuters as intercity services provide part of the regional rail network. Therefore, a significant amount of overcrowding on intercity services would appear to be as a result of commuters using these services. A solution to this problem may be similar to that proposed for commuter fares. However, the County Council would be concerned that this avoids the unintended result of pricing commuters off the railway and into cars.

#### **Chapter 4: Fares and ticketing complexities**

*Q4.1 - Currently, passengers with Advance fares valid only on one specified departure who miss that departure must buy a new ticket to travel on the next train (unless the missed departure is due to a missed national rail connection, in which case train operators generally accept the original ticket on the next service). We are considering whether passengers could be allowed to “pay the difference” instead (potentially on payment of a fee, if this was considered necessary to avoid perverse incentives). What do you see as the main advantages and disadvantages of such a change?*

This appears to be a fair proposal.

*Q4.2 - There is evidence of an imbalance (even after taking account of differences in average income) between fares in the London commuting area and other parts of the country, and that passengers on higher yield services are effectively cross-subsidising passengers on lower yield services. This is something we intend to explore further as part of the review, but we do believe that there is a case for reducing any significant regional imbalance in fares levels. What would you see as the main advantages and disadvantages of such an approach?*

The County Council's policy is that rail fares should be affordable and should be less than the full cost of the equivalent journey by car, as estimated by leading motor organisations, except when the service provides a significantly faster journey time. An attempt to address any regional imbalance in fares should not lead to an increase in fares levels in the wider West Midlands area that could result in passengers leaving the railway in favour of using a car.

*Q4.3 What steps could the Government take to protect passengers' overall interests as part of providing open access to fares data?*

No comment.

## **Chapter 5: Buying tickets**

*Q5.1 - Selling tickets through ticket offices is a major cost for the railways. How can we reduce this cost without deterring passengers from using the railway?*

The County Council does not support the closure of ticket offices and believes that a personal interface is essential to provide a high quality travel experience for passengers. Many elderly people find self-service machines difficult to use or are confused by the range of ticket types and options available and therefore are more confident using a face-to-face service. In addition disabled passengers may also prefer to purchase tickets using a face-to-face service especially if they have visual impairments or are wheelchair users.

*Q5.2 - What are the costs/benefits of reducing ticket office opening hours? What would you consider to be an acceptable alternative to the ticket office that met most of your ticket requirements?*

The County Council does not believe there is an acceptable alternative to closing or reducing the hours of operation of ticket offices. Purchasing tickets at stations where there is no ticket office present a problem for passengers that want a ticket that cannot be sold or collected from a ticket machine. This presents a barrier to those not familiar with travelling by train and can be a cause of anxiety to some passengers if a ticket cannot subsequently be bought on the train and results in passengers arriving at a terminal station and having to explain why they have no ticket.

*Q5.3 - What safeguards would need to be put in place for passengers in the case of changes to ticket office opening hours?*

The County Council does not support the reduction of ticket office opening hours and expects a ticket office to be open whilst the station is served by trains.

*Q5.4 - How important is it for passengers to be able to buy train tickets from a wider range of outlets (e.g. including post offices or retail outlets located away from the station)? Please feel free to make any additional comments about how you would like to be able to buy train tickets in future.*

The County Council believes that the railway should be affordable, accessible and simple to use. Any initiative that provides passengers with more convenient ways to purchase tickets would be welcome. Allowing outlets such as Post Offices, retail outlets, Libraries and Leisure centres to sell train tickets would be a welcome boost for communities that currently have an unstaffed station or a station ticket office with limited opening hours.

*Q5.5 - What other improvements would you most like to see to make buying rail tickets easier?*

No comment.

## Chapter 6: Next steps

*Q6.1 - Do you have any other comments about the impact of anything in this consultation document on passengers or potential passengers, including by income group, equality group(s) or any other group?*

As stated earlier, the requirements of elderly and disabled passengers need to be considered carefully when making changes to how rail tickets are purchased. Many elderly people can be confused by ticket machines and are more likely to rely on a face-to-face service. Disabled passengers, particularly those with visual impairments or using a wheelchair, are also likely to prefer to purchase tickets using a face-to-face service.

*Q6.2 - Are there any other comments you would like to make about anything else in this consultation?*

The County Council notes that whilst the 'standard fare per mile' fare structure was abandoned by British Rail in favour of a more market-driven approach this has resulted in some irregularities in fare levels for travel into major centres such as Birmingham from stations that are broadly all the same distance away. For example, in respect of Birmingham the following table illustrates the issue.

	Nuneaton	Coventry	Warwick	Stratford-upon-Avon
Distance from Birmingham	19 miles	18 miles	19 miles	22 miles
Peak day return	£9.60	£6.90 (all operators) £5.00 (Virgin only)	£8.40	£8.30
Off-peak day return	£9.60	£4.70 (all operators) £3.40 (Virgin only)	£7.00	£6.90

The County Council would welcome further discussion on fare anomalies.