

A Strategic Agenda

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A strategic agenda

The SRA's Strategy must be investment-led and long-term, to develop a safer, better and bigger railway system, well-integrated with other forms of transport.

Sir Alastair Morton Chairman

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Preface

Towards a Strategic Plan

The newly established Strategic Rail Authority (SRA) intends to publish its first Strategic Plan in Autumn 2001. The Shadow SRA (SSRA) has given careful thought to that.

The Plan will not be a document laying down the SRA's instructions to the industry, designed to be obeyed in detail and to govern every development and operation. Britain's rail system has been privatised and must respond to the demands of users, to the market. Private sector capital and management must produce those responses. The SRA will guide, facilitate, encourage and support, taking the lead to resolve doubt, develop consensus, accelerate progress, promote integration and – with the Regulator and the safety regulator – insist on standards. The SRA must guide and lead, but not command and control.

By Autumn 2001 the post-Hatfield National Rail Recovery Plan will be history and the SRA, looking beyond it, will have:

- completed consultation on and published a number of strategies;
- received the benefit of a number of completed multi-modal and rail-specific capacity studies, and also Local Transport Plans;
- reached, or come within sight of, Heads of Terms for all or nearly all the new, market-led operating franchises to replace the 18 short-term franchises from privatisation and define the future shape of services;
- negotiated improvements where possible to the seven long-term franchises created at privatisation;
- engaged in constructive detail with key stakeholders in the rail freight industry to implement in practice the freight strategy outlined by the SSRA prior to taking over responsibility for rail freight on 1 February 2001;
- partnered Railtrack in the preparation, pricing and launch of investment projects to enhance the network;
- developed the first funding and management structures to supplement Railtrack's diminished capability for enhancing the network; these will allocate risk between private and public sector partners and must facilitate the introduction of

funds from capital markets;

- learned the outcome of Lord Cullen's safety governance Inquiry;
- explored the practicality of a number of ancillary development programmes in areas such as communications, technology, training, modal integration, land use planning, European interoperability, etc; and
- completed the consultation process and obtained the Secretary of State's approval for its Strategic Plan.

In consequence, by Autumn 2001 the SRA will be able to produce a Strategic Plan, less contingent on as-yet-uncertain hypotheses. It will do so.

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Inter alia the SRA is required by the Transport Act 2000 to publish 'strategies' from time to time, in each case after a consultation process. Those individual strategies, once confirmed and published, will enjoy the support of the Regulator, who is enjoined by the Transport Act 2000 to facilitate their implementation. The SRA will put forward from time to time such strategies in pursuit of the purposes given to the SRA in section 205 of the Act.

So far, the SRA has operated for 18 months in shadow form. In Autumn 1999, the SSRA expressed hopes of publishing a 'Shadow' Strategic Plan in the late Spring of 2000. Further reflection led to the conclusion this would not be useful. In December 1999 the Government announced it would prepare a 10 Year Plan for Transport for publication in July 2000, the same month as the Regulator was expected to publish the final conclusions to his quinquennial review of Railtrack's charges to users of the network.

The SSRA had announced its Plan would be all about "investment, investment, investment" in a Public Private Partnership led by the SRA and Railtrack. It was only wise to see how much capital each of the two principal partners would be able to deploy. It was also desirable to develop a better picture of what this capital would be invested in, through progress with refranchising and the preparation of a franchise map (published in June 2000). There were also wider

considerations. Both London's new Mayor and Scotland's Executive needed time to develop their inputs to transport strategy required under new legislation. Regional Transport Strategies and Local Transport Plans were still evolving.

While this was initially taken to imply a Shadow Strategic Plan soon after July 2000, further delay was caused by the deferral until October of the Regulator's final conclusions. The tragic Hatfield accident and its chaotic and costly aftermath intervened shortly before those conclusions were published and – in the weeks before Christmas – the SSRA was asked by the Deputy Prime Minister to gather industry opinion on structural issues and pressures within the industry, generating a delay into the New Year.

At the same time Railtrack's new management was digesting the implications of the Regulator's final conclusions. On 15 January 2001 Railtrack accepted the conclusions of the Review but served notice that it would seek reconsideration by the Regulator, perhaps leading to a reference of the Review to the Competition Commission, if further discussions before the end of March do not bring forward payments due to Railtrack, relieving the cash flow problems it foresees. Railtrack expects also to ask the Regulator for some adjustment to the Review's conclusions later this year if it can show that additional future costs have become eligible for funding in the light of the post-Hatfield analysis.

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It is very much less than satisfactory that Britain's rail industry is in a state of flux more than seven years after privatisation was launched by the Railways Act 1993. Privatisation has both released potential and brought problems to Britain's railways. Their uncertainties are explored in this document, which is entitled the SRA's Strategic Agenda because it sets out challenges the SRA will face in 2001, and beyond, to eliminate or reduce many areas of uncertainty and to progress towards its statutory purposes.

To the Romans, Agenda meant "that which is requiring to be done". This Strategic Agenda is a positive statement from a proactive Strategic Rail Authority. The responses and reactions it generates will inform the development of the Strategic Plan, but meanwhile activity will go forward along the lines set out in this document.

Its preparation, under my personal direction, has been the final element in my delivery of the Deputy Prime Minister's request to me, early in 1999, to establish the SRA under what became the Transport Act 2000.

The Strategic Rail Authority was born on 1 February 2001.

The tragic and extraordinary accident on the East Coast Main Line in South Yorkshire happened as this document was being prepared for printing. The Board of the SRA extends its deepest sympathy to the families and friends of the victims, including those of rail staff who died at their posts.

It is sadly not uncommon on the world's highways for vehicles to cause multiple deaths by departing from their line of travel, either off the road or into the oncoming traffic. For such an event to import death, injury and massive damage onto the railway in the combination seen in this accident is a chance so extreme as to defy imagination. We are reminded again there is no such thing as absolute safety in transport.

Alastair Morton
Chairman
Strategic Rail Authority

1 March 2001

the
context

Part 1: **The context**

Birth of the SRA

“A New Deal for Transport: Better for Everyone”

In July 1998, 15 months after election, the Government presented its Integrated Transport White Paper – “A New Deal for Transport: Better for Everyone” – which called for a radical change in transport policy and recommended a Strategic Rail Authority to provide a focus for strategic planning in the rail industry, backed up with powers to make things happen. The Commons Transport Select Committee welcomed this proposal and generally it received wide support across the political and industry spectrum.

The Deputy Prime Minister, the Rt Hon John Prescott, as Secretary of State for the Environment, Transport and the Regions, decided to base the SRA on the Office of Passenger Rail Franchising (OPRAF) plus the residual British Railways Board (BRB) activities (see Annex 1). The SRA would also take in the ‘passengers’ interests’ division of the Office of the Rail Regulator (ORR) and the freight sponsorship function plus certain international activities of the Railways Directorate in DETR. This gathering together required legislation but the setting up of a Shadow SRA could be effected by issuing Objectives to the BRB, together with Objectives, Instructions and Guidance (OIG) to OPRAF.

In April 1999 Sir Alastair Morton was appointed Chairman of the BRB and a month later Mike Grant was appointed Franchising Director at the head of OPRAF. Revised objectives were issued in May to both and in June 1999 the two entities came together as the SSRA. In 1999, the future Transport Act 2000 received its second reading, and finally obtained Royal Assent on 7 December 2000. The SRA was legally constituted on 1 February 2001.

Purposes and Objectives

Section 205 of the Transport Act 2000 sets out the purposes of the SRA:

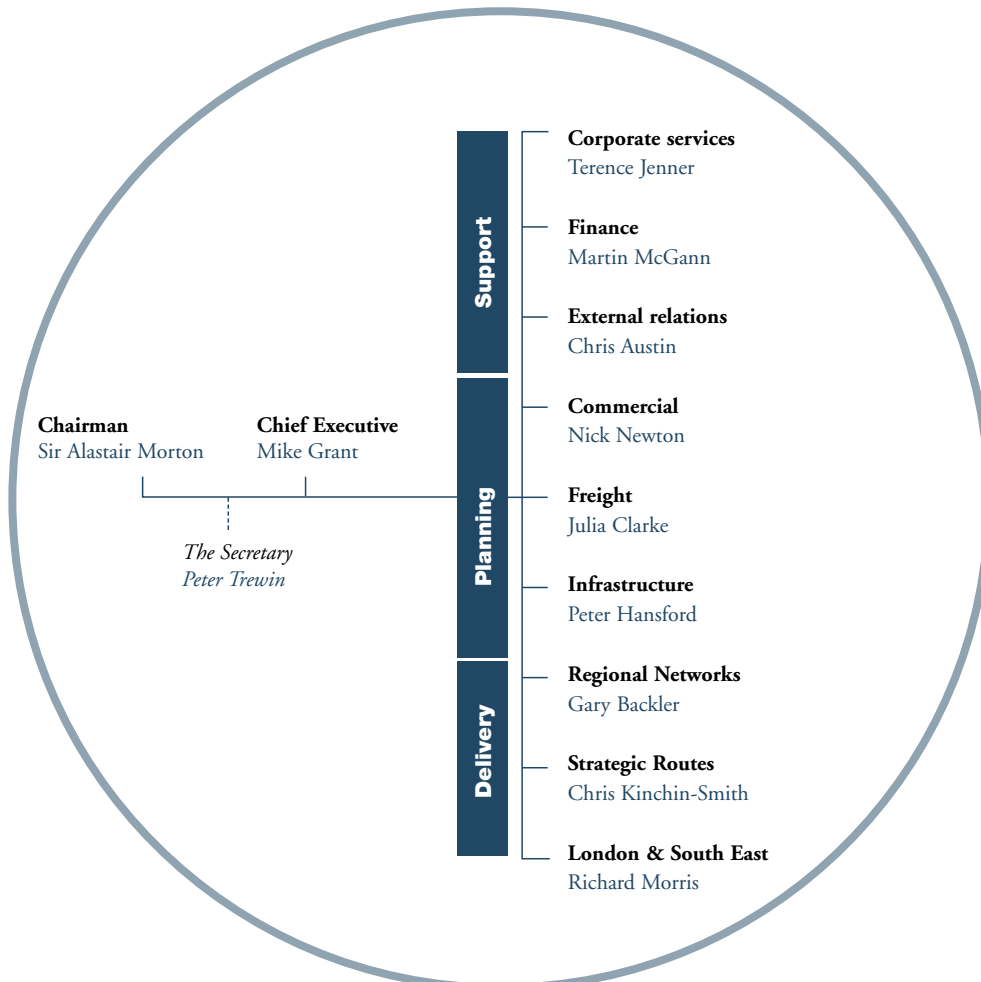
- “● To promote the use of the railway network for the carriage of passengers and goods;
- To secure the development of the railway network; and
- To contribute to the development of an integrated system of transport of passengers and goods.”

In discharging these purposes, the SRA must take into account other key issues summarised in Section 207 primarily relating to protecting the interests of passenger and freight customers. Furthermore, the SRA must have regard to safety, the interests of the disabled and impacts on the environment. In addition, Section 211 of the Act authorises the SRA to make investments and loans, give guarantees or provide grants to railway companies.

Organisation

The SRA emerges fully formed, ready to meet the challenges ahead, after a little over 18 months of shadow operation. The main thrust of its organisational development has been to shift from an administrative and reactive department of government to a proactive corporate entity, equipped to represent the public interest in a network of public private partnerships. Under the Government’s 10 Year Plan £30 billion or so of public funds will pass through its hands into the industry by March 2011.

The new organisation is now in place, with the SRA formed into three main workstreams – Delivery, Planning and Support – comprising nine directorates with a tenth to be established once the Rail Modernisation Fund opens for business.



SRA Board Members

Sir Alastair Morton – Chairman

Mike Grant – Chief Executive

Lew Adams OBE – former General Secretary of ASLEF; maintains an interest in train crew and safety issues for the rail industry as a whole.

Professor David Begg – Chair, Commission for Integrated Transport; Director, Centre for Transport Policy, Robert Gordon University.

Lord Bradshaw – former General Manager of BR Western Region, currently Chairman of the Bus Appeals Body and a working peer for the Liberal Democrats. Member of the Commission for Integrated Transport.

Willie Gallagher – previous Director of Customer Services for the Scottish Power Group and former Scottish Power Director responsible for managing the introduction of competition into the supply of electricity for all customers.

David Grayson CBE – a director of Business in the Community (BITC) and former Chairman of the National Disability Council.

Ann Hemingway – recently retired as Head of Sales for British Gas Trading Ltd and recently appointed to the Food Standards Agency as Member for Wales.

David Jefferies CBE – Chairman of 24/Seven Utility Service Co. Former Chairman of the London Electricity Board and National Grid Group.

Pen Kent CBE – former Director of the Bank of England and former Director of the Private Finance Initiative with particular reference to transport.

Jeremy Mayhew – Board Director of BBC Worldwide Ltd and a former Head of Strategy Development at the BBC. Member of the Learning and Skills Development Agency.

David Quarmby – Chairman of the British Tourist Authority, Chairman of the Docklands Light Railway Ltd and Member of Transport for London.

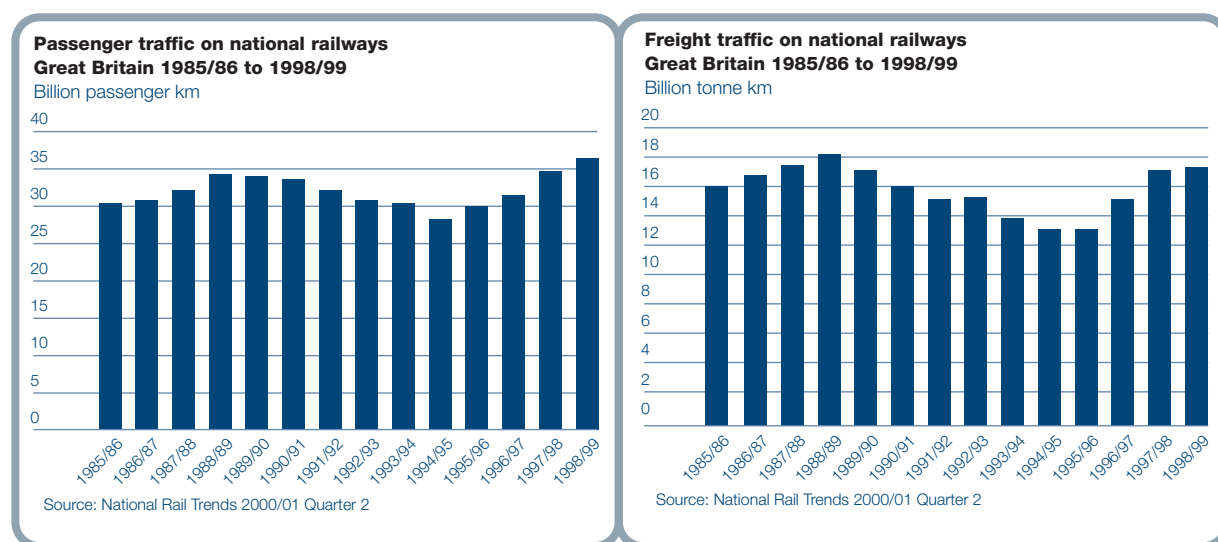
Janet Rubin – Human Resources consultant. Former Group Human Resources Director for the Littlewoods Organisation and Head of Group Personnel for WH Smith.

Kevin Small – former railwayman and until recently Chairman of the Rail Users Consultative Committee for Western England. Chairman of the Wiltshire Ambulance Service NHS Trust.

Part 1: **The context** continued

The first five years

April 1994 – March 1999



Privatisation

Britain entered the 1990s coming to the end of an economic boom that had lifted railway traffic above the trough of the early 1980s. The recession of the early 1990s reduced traffic and this period was followed by the hiatus in rail development caused by rail privatisation – a manifesto promise from the Conservative winners of the 1992 election, delivered under the Railways Act 1993 over several years and almost entirely completed by March 1997. A key date was April 1994, when the rail system began to ‘operate in separated mode’, but still in state ownership.

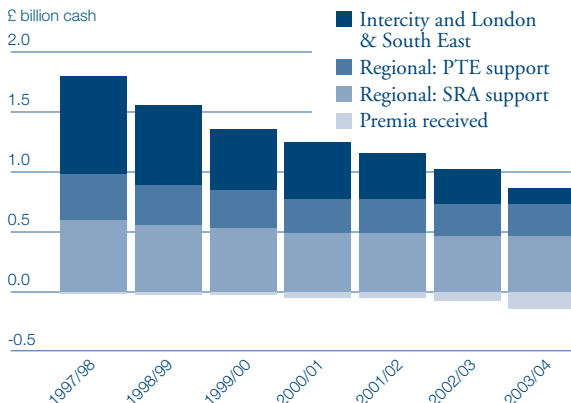
Passenger and freight traffic was starting to recover in 1994/95, but remained well down on 1988/89 as shown above. Investment in rail (excluding the line from London Waterloo to the Channel Tunnel) had for years been below the levels needed to deliver a modern rail system. Maintenance and renewal spend was down. Rail privatisation for passenger services was based on the progressive removal of Government subsidies and assumed an essentially static or declining rail system. These assumptions had a fundamental impact on the structure of the privatised industry, as did the decision to privatise the infrastructure supplier, Railtrack, after it had been separated from operations on the basis that it would remain in the public sector.

Railtrack, as infrastructure supplier, essentially needed only to be large enough to provide steady state output and was expected to fund operations, maintenance and renewal out of track access charges to be paid by Train Operating Companies (TOCs) and regulated by the Regulator. Investment in system enhancement would be marginal, apart from the Thameslink and West Coast upgrades committed at privatisation, with funding needs to be offset by asset sales. Contracts for work on the track were divided both geographically and between maintenance and renewals and were awarded separately and on a short term basis, supposing that would encourage competition and drive down costs. In fact there was significant concentration and a tendency to reduce content.

Almost all of the TOCs were franchised on the basis of ‘lowest subsidy wins’, with short-term (seven years) franchises the norm. In principle, competition between operators was intended to develop by 2003, with an unsubsidised open access regime the presumed eventual objective. Year on year the ‘franchise payments’ (subsidies) payable to TOCs were to diminish (as shown on the chart opposite), with larger and larger premiums becoming payable by the more viable TOCs.

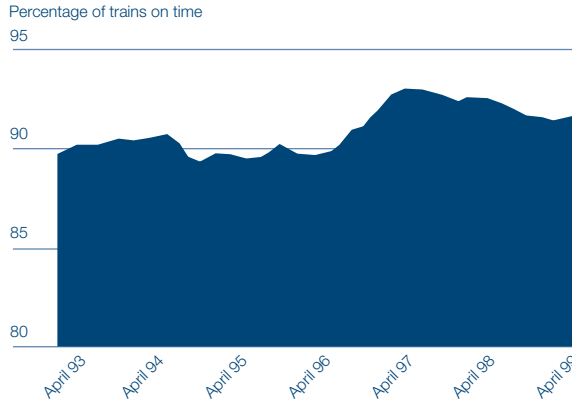
Rail freight operations, always the poor relation within British Rail, were offered for sale (not franchised) in six lots, of which five were bought by one buyer. The track

**Projected subsidy for passenger franchises:
1997/98 to 2003/04**



Source: SSRA Annual Report 2000 Note: Amounts from 2001/02 onwards include an illustrative inflation rate of 2.5% per annum

**Passenger's Charter punctuality
moving annual average 1993/94 to 1998/99**



Source: National Rail Trends 2000/01 Quarter 2

access agreements for freight were for only a few years ahead – another short-term strategy.

The railway since privatisation

Privatisation's fundamental premise of a static railway has been thoroughly confounded. Far from declining, passenger travel on the railways rose by 26% and freight traffic by 34% between 1994/95 and 1998/99. Economic growth and higher disposable incomes have combined with new initiatives among the privatised rail companies to drive this increase and motorists have reacted against worsening conditions on the roads.

Britain's railways were ill-equipped for rapid growth: under-investment over decades had resulted in an ageing, unreliable system whose layout does not always accord with today's market geography. The growth, *inter alia* adding nearly 10% extra trains per day over the next five years, absorbed most of the limited spare capacity on the network. Given this growth, it was not easy for TOCs to do better than hold costs fairly flat, and it quite quickly became apparent that the objective of unsubsidised, open access competition would be incompatible with maintained levels of services and substantial investment programmes for many years to come – a conclusion reinforced by diminishing network capacity for the introduction of services.

Privatisation had also left a fragmented industry

lacking in vision – no single organisation was responsible for producing a strategy to improve the situation. Many felt Railtrack could assume leadership of the industry. It did not.

Lack of vision, decades of under investment, short-term contracts and strong growth in demand have thus put severe pressure on Britain's railway. After improving to spring 1997, operating performance began to deteriorate. Passenger's Charter punctuality figures from 1993/94 to 1998/99 are shown above. Yet, as this Government recognised when it took office in May 1997, the country needs a well laid out, safe, efficient rail system with enough capacity to deliver the policy goal of a significant modal shift to rail.

1997/98 was a key year for the privatised railway. By March 1998 Railtrack's annual Network Management Statement (NMS) began to perceive significant growth in the need for network enhancement. In 1999 and then in 2000 the enhancement menu grew substantially as growth was confirmed. Performance improvement peaked and fell back and public exasperation with train operators' performance boiled over – notably at an 'industry summit' in November 1998, when the Deputy Prime Minister challenged the industry to come up with concrete measures to improve performance. The industry responded at another summit in February 1999 with confirmation of progress on a 10 point action plan. Britain's

Part 1: **The context** April 1994 – March 1999 continued

The Office of the Rail Regulator

The Regulator was created under the Railways Act 1993 with similar responsibilities and duties to the other sectoral regulators put in place at the privatisation of the water, gas, electricity and telecoms industries. The Regulator acts as economic regulator to Railtrack and both issues and enforces licenses held by train, station, depot and network operators. He also has responsibilities under competition law.

Unlike the other sectoral regulators, his functions extend to approving contracts for the use of networks. Unless a track, station or depot access agreement is approved by the Regulator, it is unenforceable in a Court of Law. His jurisdiction extends beyond the 25 first-generation franchises and includes other operators, including freight, Eurostar and Heathrow Express. At privatisation, the Regulator was given responsibility for consumer protection, by means of those licence conditions that relate to this role and of sponsorship of consumer representation through the Central Rail Users Consultative Committee and its regional bodies.

The Transport Act 2000 transferred responsibility for consumer protection to the SRA, including those for licence enforcement

and consumer representation. The Regulator's other functions continue, and those in relation to the setting of track, station and depot access charges and terms for gaining access to the network are particularly crucial.

The Regulator has recently completed his periodic review of Railtrack charges, which are intended to apply for the next five years. As part of the review he has established a framework for enhancement investment intended to facilitate the expansion of the railway industry. The Regulator has also been consulting on model clauses for track access agreements, including the rights and obligations of Railtrack and train operators, in order to ensure an appropriate division of risks between the parties.

Ultimately, the Regulator must resolve such matters as the allocation of scarce capacity at key bottlenecks, the performance regime that Railtrack is subject to and the amount it may charge for track access and for enhancing the network. He must do this fully reflecting the powers and duties that he has under legislation and is accountable to Parliament for so doing.

privatised rail industry, including Railtrack, began to recognise that its right to earn profits had a condition precedent – fulfilment of its obligation to provide a public service. Beneath the public discontent, relations were poor between both passenger operators and freight operators on one side, and Railtrack on the other. The calls to the Regulator to involve himself in resolving the future use of the West Coast Main Line (WCML) were only one symptom of reactions to what was perceived to be the high-handed approach of Railtrack. The SSRA entered a tense industry.

The Government's White Paper, the Transport Act 2000 and the SRA

The Government's 1998 Integrated Transport White Paper emphasised public transport, modal shift from road to rail and integration of rail with other forms of transport. The formation of the SRA would lead to a fresh start for the railways via a Public Private Partnership between the SRA, Railtrack, the train

operating companies and their various suppliers.

The SRA would provide the framework for the private sector to deliver a safe, efficient and growing railway system. It would form a consensus where possible, but provide leadership when needed.

The SRA would not operate trains or infrastructure, although it would have reserve powers in specific circumstances. In the event of the failure of a franchised operator of passenger trains, or licensed freight operator, the SRA would (in the case of passenger) or might (in the case of freight) ensure the operation of these services pending their transfer to a new or alternative operator.

In legislating to establish the SRA, the Government decided not to merge the Regulator into it. Thus the economic supervision of the monopoly supplier of infrastructure has remained separate from the franchising and supervision of train operators, most of which have a dominant or monopoly position on their franchise routes.

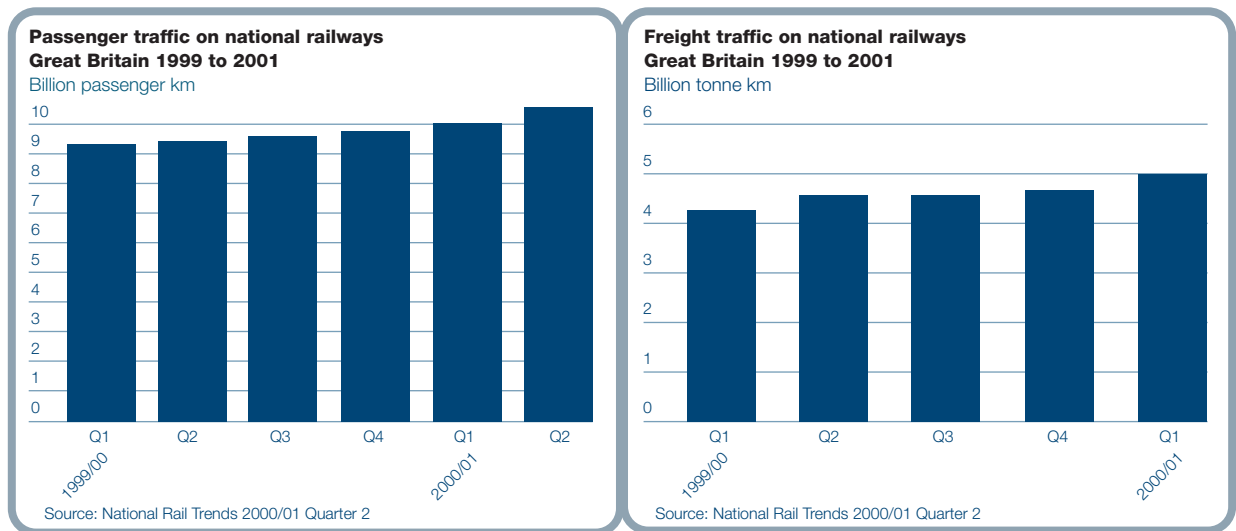
The Regulator has to value Railtrack's assets (the Regulatory Asset Base), setting the rate of return on them, and accordingly his decisions have a significant impact on the budgets of the industry, including the SRA. He polices both Railtrack's behaviour and its performance of its core task of operating, maintaining and renewing the network.

The Regulator has and will have significant duties to protect the interests of user and operating parties, especially minor parties, on the system, but the SRA takes the lead towards operators. The SRA's role in turn will not be central to Railtrack's core activity in any regulatory sense. It must give strategic guidance, and will work to facilitate co-operation, improvement and integration, leading to passenger and freight benefits. The SRA will move more to centre-stage for the enhancement of the network, taking the key decisions on prioritisation within that programme.

Part 1: **The context** continued

18 more months of growth

April 1999 – September 2000



After these initial five years, growth continued for 18 months more. By September 2000, around 1,700 more trains were running daily than at privatisation. Network capacity and capability were under severe pressure. As already recorded, the SSRA opened its doors in June 1999. In its short but vigorous life it has developed more proactive relationships with OPRAF's constituency, the TOCs; it has laid the foundations of a freight strategy, more positive and far-reaching than that available under the 1993 Act; and it has debated and developed a strong interaction with its principal future partner in the development of a safer, better and bigger network – Railtrack. The SRA's objectives and activities in these three areas of business are discussed in Parts 2 and 3 of this document.

During this period, the SSRA's Chairman, in a series of speeches, repeatedly discussed and steadily developed the SRA's strategic vision. These statements were an extended form of public consultation which ran in parallel with systematic contacts between the SSRA and a nation-wide span of consultees, from users to transport organisations to local, regional and devolved government. At the outset, in a speech on 30 June 1999, he declared: "It's all about investment, investment, investment."

As growth in passenger and freight traffic continued, as shown in the chart above, performance struggled, deteriorating as the network filled up and

equipment showed its age under heavier use. The tragic crash at Ladbroke Grove strongly re-emphasised concerns about safety, especially signals passed at danger (SPADs). The Regulator drew forceful attention to the incidence of broken rails and tempers rose between Railtrack and the Regulator about the former's performance in reducing delays attributable to it. In August 1999 the Regulator announced his intention to make an enforcement order requiring Railtrack to improve its network performance by reducing by 12.7% the minutes delay caused by Railtrack in the year ending March 2000, or face substantial penalties. Even before that, large numbers of TOC and Railtrack staff were dedicated to a year-round sterile activity of disputing the attribution of delays.

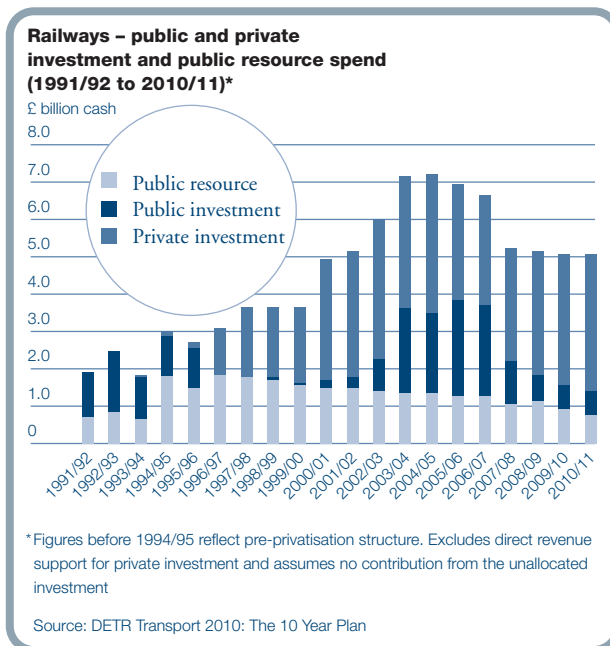
By the end of September 2000 there were signs of pressure on system capacity, management capability and user tolerance all over the network. Investment was accepted to be the way forward and the SSRA was far from alone in being seriously concerned about the long lead time required to insert significant increases in capacity into areas of the network meanwhile operating at capacity. In March 2000 Railtrack published a 'menu' of possible enhancement projects in its NMS, far larger than the 1999 NMS but still smaller than the SRA's own menu. The menu of schemes the SRA wants to keep under review appears in Part 4 of this document.

Concerns could only increase about the private sector's ability to play its part in a major investment-based strategy. Legitimately the 18 short-term TOCs with now no more than four, some less than three, years left of their franchises could protest that they had no basis for investment. That was being addressed by the franchise replacement programme.

In the six months to September 2000, net franchise payments to TOCs from the SRA – negotiated at the time of privatisation – had fallen by around 35% to £435 million from the £665 million paid in the six months to September 1997, offset by a rise in farebox revenues of approximately £400 million. In short, contrary to the basis of privatisation, the planned removal of Government support for the rail system was largely being funded by revenue growth rather than cost cutting.

At the same time a crisis became apparent in the programmes to introduce new rolling stock – thousands of vehicles (carriages), both electric and diesel-powered. A hostile combination of poor quality control by the two main suppliers, and deeply risk-averse standing-on-the-letter of contracts and regulation by Railtrack as network controller, coupled with seriously incomplete measured knowledge of its assets on the network, created a situation where in due course about 500 electrical multiple unit vehicles stood idle in factory yards awaiting safety certification and some 200 diesel multiple unit vehicles disappointed operators with their very slowly improving reliability.

As 2000 advanced, concerns increased that Britain's railway system was either inherently dysfunctional or lapsing into that condition. By now confidence was badly shaken in Railtrack's ability to undertake a large number of substantial enhancement projects in addition to its core business of operation, maintenance and incremental renewal of the existing network. Its first flagship project, the West Coast Route Modernisation programme had to be rethought and repriced from £2.4 billion to £5.8 billion. Not surprisingly, this contretemps absorbed a lot of management attention and heightened Railtrack's aversion to risk, even those risks that it was best placed to manage.



10 Year Plan

The Government showed its concern again late in 1999, preparing to make a commitment to invest in growth, reversing the previous Government's policy of cutting the funding of railways year-on-year and the historic practice of all Governments since 1960 of minimising capital investment in rail, in favour of roads.

The 10 Year Plan, "Transport 2010", published in July 2000, announced a £60 billion investment package. About half of this will be provided by Government itself. This money could help transform Britain's railways, if correctly applied. The key targets and outcomes of the Plan which the SRA seeks to deliver are described in a Box on page 19. A more detailed summary of the rail part of the Plan is provided in Annex 2. The 10 Year Plan targets will not happen just by being published. The £30 billion or so promised for the railways via the SRA in the Plan must not be subject to ill-proportioned constraints regardless of origin. A consistency of purpose over time not often seen in the past from Britain's Governments is needed – but in the SRA it has a champion we intend to be fit for its purpose within the limits of government funding.

Part 1: **The Context** April 1999 – September 2000 continued

The 10 Year Plan provisions for rail are shown in the chart on page 11. 'Public resource', known to some as revenue funding, is needed to fund the regular franchise payments (subsidies) paid by the SRA where necessary to supplement franchise revenues. 'Public investment' or capital, includes capital grants by the SRA to Railtrack.

Regulatory Review

Proceeding in parallel, the Regulator prepared – as laid down at privatisation – to set new track access charges to be paid by TOCs to Railtrack for the five years from April 2001. His findings and conclusions were due, after extensive consultation, in July 2000. In the event, he exercised his right to defer them until October, when as discussed in the next section, they emerged shortly after the crash at Hatfield began to change the industry's perceptions of itself. They offered Railtrack substantially more revenue for operation, maintenance and renewal than had been foreshadowed six months earlier, and were intended to permit Railtrack to fund from market sources a substantial level of enhancement as well.

Annex 3 carries the Summary of the Regulator's Final Conclusions on the Periodic Review. Railtrack received the final conclusions calmly enough, welcoming the amendments it liked and noting, without great emphasis, that it was unhappy with the Regulator's position on requirements for improved efficiency, on performance thresholds and on timing of payment of capital grants by the SRA to Railtrack.

Immediately after Royal Assent to the Transport Act 2000 in early December, the Regulator confirmed his review. This triggered a 42-day window within which Railtrack could object and invite the Regulator to either modify his conclusions or send the whole or parts of his review to the Competition Commission. As the 15 January 2001 deadline approached, Railtrack discussed its options with the SRA and after negotiation with the Regulator, the latter issued a statement on the possible application of his interim review process (Annex 4).

Part 1: **The context** continued

Hatfield and after...

October 2000 – March 2001

Industry Review

In the aftermath of the Hatfield crash, the Deputy Prime Minister asked the SSRA to instigate an Industry Review. In consultation with the industry, the SSRA set up five working groups on:

- current train performance regimes;
- access to the track for maintenance work ('possessions');
- the contractual structure for track maintenance and renewal;
- the process for accepting rolling stock onto the network; and
- the scale of the industry's agenda.

The Working Groups were formed from key, experienced managers from across the industry. Between them, the Working Groups included representatives from the SSRA,

Railtrack, the TOCs, Freight Operating Companies, ATOC, contractors and rolling stock manufacturers, with input from the Regulator and from industry suppliers. In addition, there were a number of bilateral discussions with other interested parties. The Groups reported to a cross industry Steering Group chaired by Sir Alastair Morton with representation from the Rail Passengers Council. The Steering Group's meetings were also attended by senior observers from the Regulator, the Health and Safety Executive and the Department of the Environment, Transport and the Regions.

The Industry Review has provided the context and agenda for the newly formed Rail Industry Group, which brings the most senior figures in the rail industry together to push through change.

At 12.10 p.m. on 17 October 2000 a GNER express to Leeds pulled out of London King's Cross. Thirteen minutes later the train was derailed by a shattered rail on a bend south of Hatfield station. Four people were killed in the buffet car, which hit a support for the overhead electric wire.

Within hours, a cumulative shockwave through the industry began to develop as the realisation spread of the implications of this accident for the mutual understanding between key parties to the operation of rail services – from rail suppliers through maintenance and renewal contractors (all contracted to Railtrack) to train operators, whether freight or passenger (to whom Railtrack was contracted but its suppliers and contractors were not). Privatisation had fragmented the industry, replacing the crucial direct linkage between track and train by a network of contracts centred on Railtrack. The question quickly became: "Is Railtrack assuring the maintained quality and safety of the track it offers users in return for access charges; or, if not, who is?"

There were hasty comments about re-thinking the structure of privatisation, notably by the then Chief Executive of Railtrack. The Deputy Prime Minister (DPM) asked the SSRA to convene industry working groups to consider relevant questions about the structure of the industry, and whether some incentives/penalties in the industry's contractual

structure might operate with perverse effects. In response, a high-level Steering Group and five Working Groups were convened by the SSRA's Chairman to consider the pressures at work in the railway system as described in the box above. On 22 December Sir Alastair Morton reported to the DPM that:

- the industry does not believe its structure needs to be reintegrated, reshaped or reinvented, though it needs to evolve in key aspects;
- the industry does not believe that the imperative pursuit of safety is incompatible with improvement of performance and also growth; and
- the industry can and will work on amendments to its procedures, contracts, regulations, etc., which will ease constraints, remove conflicts and open the way to improved service.

The Steering Group, having met in December and January to review the Working Groups' responses, decided to constitute itself as the Rail Industry Group (RIG) to be chaired by the SRA's Chairman. The SRA sees the RIG as a signal of the industry's determination to work together as it evolves into a flourishing public private partnership focused on delivery. The RIG will:

- bring the SRA and industry leaders together in a regular forum to discuss, agree and then implement necessary changes to Britain's railways;
- guide the agenda of existing groups such as the National Performance Task Force and set up new groups to tackle areas where the rail industry must do

Part 1: **The context** October 2000 – March 2001 continued

- more, for example in training and skilled resources;
- work on improving the image of the rail industry through coordinated policy initiatives; and
- provide a focus for wider industry linkages to financial institutions who have a key role to play in delivering the investment led public private partnership.

The membership of the RIG is drawn from principal officers of the SRA, ATOC, the leading freight operator (EWS), Railtrack, infrastructure maintenance contractors and the Rail Passengers Council, with observers from the Office of the Rail Regulator, Health and Safety Executive and DETR, and support from the Railway Industry Association, getting suppliers involved with the Group's work.

It has not been the SSRA's role to take charge of the industry's recovery from the disorderly aftermath of Hatfield. That has been for Railtrack and its customers, the TOCs and freight operators. While Ministers became involved in that in response to public resentment about the non-availability of a public service, it has been the SSRA's role to look beyond the recovery, at the structural and strategic implications of Hatfield. Early in the process Sir Alastair Morton said in a speech on 28 November that "the rail industry seems to be having a nervous breakdown". The shockwave has been that serious: Hatfield has established itself as a pivotal episode in the post-privatisation evolution of Britain's railways, the consequences of which are not yet fully revealed. It is a core part of the SRA's Strategic Agenda to work with the industry to ensure that future Strategic Plans are founded on a durable and efficient industry structure.

the
challenges

Part 2: **The challenges**

The challenges to the SRA

Introduction

In Part 1 of this document, the Transport Act 2000 is quoted, setting out the statutory purposes of the SRA. In pursuit of those purposes the SRA's objectives will be to support the development of a railway system fit for purpose to deliver the targets of the 10 Year Plan. The SRA will be guided by:

- first, the motto “It’s all about investment, investment, investment”; and
- second, nine challenges to be met by that investment.

If the challenges are met, we shall move towards an industry fit for purpose.



The SRA's Strategy, in short, will be investment-led and long-term, joining up the participants in this major public service to develop a safer, better and bigger railway system, well-integrated with other forms of transport. The investment must not only provide new infrastructure and new rolling stock: it must also go into people, via reorientated recruitment and training; into communications, between industry participants and between operators and customers; and into new technology. This is a 19th century industry, marginally altered and modernised by the 20th, which now has to be fit for purpose for a key role in the 21st. It may disappoint commentators that after 175 years of

evolution and seven years of privatisation, the perfect fix is not available in months – but it is in the nature of railways, contained within a straitjacket of available rights of way, to move forward in carefully planned, carefully implemented steps – or chaos will ensue. The culture, too, of this industry is not conducive to rapid change but needs to respond better to customers.

1 The challenge of safety

The challenge facing the SRA is the delivery by the industry of satisfactory standards of safety provision, a positive culture of safety management and the promotion of a balanced public understanding of transport risk.

There is no such thing as absolute safety in either public or private transport. It is not possible to eliminate all risk from rail or any other mode. The issue is not the elimination of all risk, but the management of risk. Rail has proved itself a much safer system than road. Private citizens may accept the risks they impose on each other by taking their private cars, motorcycles, etc., onto the highway. There is a comparison to be made, however, between those who take passengers and freight onto the highway for commercial reward and those who offer the same service by railway.

The structures in place for safety regulation and accident investigation in the railway industry are currently the subject of an Inquiry led by Lord Cullen, who was appointed following the Ladbroke Grove crash. He is expected to report later this year. The SSRA was invited to contribute to the Cullen Inquiry. The SSRA's evidence recognised that its role was to provide suggestions for the Inquiry to consider, based on its overview of the industry's problems. The Inquiry's recommendations will be Lord Cullen's and the SRA will play its part in implementing them once Ministers decide on their adoption. Ministers have given public assurances that the necessary funding will be available.

The SSRA's evidence drew attention to the regulation of aviation safety by the Civil Aviation Authority (CAA), which is also that industry's strategic economic regulator. The SRA has powers to invest in

or fund the industry's capital projects and operations. To many that disqualifies the SRA from responsibility for safety regulation. Similar considerations disqualify the ORR, which (as the economic regulator) prices Railtrack's services. A specialised, independent safety authority could deliver the role of the Safety Regulation Group of the CAA, subject to government funding on a scale comparable to the CAA. The task and, increasingly, the technology are comparable: both require well funded, well equipped and well trained specialists. Further, it may be appropriate for rail accident investigation to be separated from the safety regulator (as in aviation), since the investigator's findings could criticise the regulator.

The SSRA's evidence also stressed the importance of independent accident investigators being able to take charge of the site from the start, seeking to establish the cause of the accident. Although the SRA recognises the need for investigation as to whether any crime has been committed, the primary purpose of the investigation should be to establish the cause, so that steps can be taken as soon as possible to ensure that it does not happen again. Accident investigators elsewhere are relied on to call in the police as and when their expertise detects evidence of crime.

Ministers determined that interim measures should be taken to insulate policy towards industry safety from Railtrack's management of the infrastructure. The SSRA participated in the work which led to the separate establishment of Rail Safety Ltd to hold the ring pending Lord Cullen's report.

Assuming the implementation of Lord Cullen's recommendations requires legislation, it will not be effective before 2003 at the earliest. Meanwhile rail safety is regulated by the Health and Safety Executive, into which the Railway Inspectorate was merged well before privatisation. Continuation of this structure is one option open to Lord Cullen.

Signalling and train protection systems are at the heart of better safety. Inquiries since October 1999 by Sir David Davies, Lord Cullen and Professor Uff are setting the network on a course towards automated train protection. An initial step towards it, the Train Protection Warning System, will cover the network by

2003, to be followed by a system meeting defined European standards. Though those standards are available, no European network is yet operating commercially under such a system.

2 The challenge of performance

The challenge facing the SRA is to procure improvements from the industry through an escape from historic attitudes to punctuality, reliability and quality of service, coupled with a mature public debate about who should pay and in what proportion for delivered improvements – user or taxpayer?

An ageing network faces a conflict of priorities that becomes more and more difficult to reconcile as rising traffic levels move closer and closer to full capacity utilisation. The mixed nature of Britain's railway traffic – fast and slow trains, carrying passengers and freight, mixing through and stopping trains – aggravates this truth.

As we have seen, punctuality improved following privatisation, as shown in the chart on page 7. But by 1999 a conflict of priorities between growth, capacity and competing regulatory requirements was taking its toll and performance worsened. Management of the pressures was neither impressive nor well co-ordinated between the TOCs and Railtrack. Passengers and freight customers suffered, not least from poor planning and delivery of information.

To the public, performance has come to mean something more than the train turning up on time. What is the level and quality of information before it comes? What is the journey experience when it does come? More customers mean more overcrowding and some TOCs did not attach as much importance to cleaning and hygiene as the best operators did. Very limited additions to rolling stock fleets, challenged by age and modified maintenance schedules, did little to offset a rising tide of complaints about the quality of service, though Chiltern and Midland Main Line offered two early examples of increased ridership from greater frequency using new stock.

Part 2: **The challenges** continued

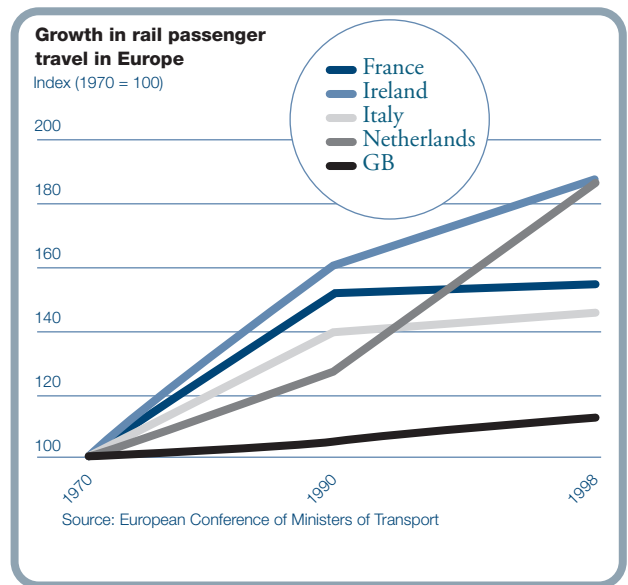
Public resentment of overcrowded, dirty and unreliable public services, particularly when some train operators benefit from large public subsidies, is very understandable and carries within it a backlash. If resentment is allowed to grow, the much-desired shift from private road use to publicly-supported rail service may slow or even reverse. Government, the SRA and the industry will stand accused of failure if, despite the subsidies, the service is poor quality, uncomfortable and inefficient. Performance, in short, must also be measured for quality of service.

Resilience and capacity are prime requirements for the punctual operation of a tightly-knit network. It is hard to deliver the quality that passengers expect when either age, intensity of use or poor build quality makes equipment prone to breakdown – unless there is spare capacity, spare equipment and sufficient management skills in the network. All of these add to costs. And Hatfield has cruelly reminded the industry that time out for adequate care of the existing network is a prerequisite of good performance.

Investment is the strategic response to the challenge of performance. In addition to capacity and equipment, this means investment in people by introducing and training the skills necessary to modernise and operate the network. It also means investment in face-to-face customer service and information, in access to and services on stations and trains, in assuring the cleanliness, security and comfort of all facilities and services. This amounts to a cultural revolution which has begun, but which needs to accelerate.

In the long-term franchises now being negotiated the SRA is asking for enough investment – in quality, capacity, resilience and management – to run 15 out of 16 trains within punctuality standards and satisfy the demands of passengers for quality of service. The Treasury has expressed its concern at 15/16: the better continental rail operators wonder at the modesty of this target.

At privatisation, most commuters were offered a bargain that they never received under state control: fare increases below the rate of inflation. This covered about 40% of TOC revenues nationally. Most other fares were not regulated, however, and were left to find their own level in the market. Nevertheless, the result has been no



increase in real terms in the amount that passengers pay over the seven years to March 2001.

It is reasonable to propose that passengers pay their share of the cost of better services when they are provided. But this last is an important caveat. Operators need to think hard about putting fares up when services do not improve and even deteriorate, even when the rules permit it.

In freight another cultural revolution has begun and also needs to accelerate. BR downgraded rail freight and customers bore the brunt of a negative attitude. Rail freight must compete head to head against the road haulage industry and break into markets which have recently been the preserve of the lorry. Only an efficient, timely and economic service will retain existing customers and attract the intermodal logistics operators who are the key to entering new markets, substantially but by no means only to and from Britain's ports, including the Channel Tunnel.

The 10 Year Plan outcomes and targets

The 10 Year Plan seeks to tackle congestion and pollution by improving all types of transport. Investment in rail and better quality rail services will encourage car users and freight to transfer to rail, which will lead to reductions in road congestion, lower CO₂ emissions and better air quality. The Plan sets out nine specific targets and outcomes for the rail system:

- a 50% growth in passenger journeys overall;
- more frequent services, faster journey times and an 80% increase in patronage on intercity lines, contributing to the reduction of inter-urban road congestion;
- more frequent services on commuter lines;
- better cross-country network connections, for example across the Pennines and through or around London;
- increased reliability and punctuality, with quantified targets to be set in the light of franchise replacement;
- better integrated information for customers;

- improved levels of customer satisfaction with the quality of services and stations;
- a significant increase in rail's share of the freight market to around 10% – an additional 15 billion tonne-kms of rail freight, equivalent to 1 billion lorry trips in 2009/10; and
- a more efficient and competitive service from rail freight, benefiting businesses across the UK.

Safety improvements will reduce the risk and severity of accidents on the railway. The industry is committed to halving the annual number of accidental equivalent fatalities per million train miles before 2010".

The SRA's Strategy is geared towards meeting these outcomes and targets. In pursuit of this, the SRA has defined its own set of priorities to shape its delivery programme. (see box on page 28.)



The challenge of growth

The challenge for the SRA is to relieve the bottlenecks constraining main line and urban hub capacity and then, by track, signal and communication upgrades, procure more capacity and resilience for the major flows through the network.

Public transport by rail is an essential service. In the densely populated conurbations, particularly London, rail carries the lifeblood of the urban economy. Over 75% of Central London's commuters travel to work by rail (LUL and national rail). On the main inter-urban routes, rail is a vital alternative to crowded roads. In large cities, it provides vital access to jobs and leisure. The railway is not simply a means of transport, it plays a wider, economic role. Good infrastructure is a precondition of economic vitality and congestion strangles that vitality.

The SRA's strategic objective is to enable significantly more traffic – passenger and freight – to move safely and efficiently by rail, with considerably improved quality of service. It must achieve value for money whilst doing so. The expansion of this key public service will benefit not just the passengers and customers of the railway, but the economy, the environment and public safety as well. In endorsing

the targets of the 10 Year Plan to increase passenger traffic by 50% and freight traffic by 80% over the next decade, the SRA recognises the sheer difficulty of investing fast enough, after this late start, to provide the necessary capacity. But it has to be delivered. The 10 Year Plan targets are summarised in the Box above.

The growth figures may appear challenging, but as the chart on the opposite page shows, Britain has underperformed historically compared to its European neighbours.

The growth will not occur evenly across the country. There will be questions of demand, integration with other modes of transport and access to rail; questions of capacity, speed, comfort, cost and safety. The overall 50% passenger growth implies about 80% on the strategic intercity routes, not much less on other significant inter-urban routes, and ideally, substantial growth on commuter routes into increasingly congested cities such as Bristol, Birmingham, Manchester and Leeds.

For London's densely packed commuters, increased capacity is badly needed – though it is likely to attract more commuters. On regional routes, experience is likely to vary. Virgin Trains has staked a lot on a substantial increase in passenger numbers on its Cross

Part 2: **The challenges** continued

Country routes. Minor and more local routes are less likely to see growth and in some cases light rail schemes may offer the way forward.

Investment must go where it is needed, over the whole decade.

4 **The challenge from passengers**

The challenge for the SRA is to confirm and consolidate a strong upward trend in investment in better journey experiences for the vast majority of a steadily rising number of passengers.

Eighteen of the 25 passenger franchises granted at privatisation were short term – around seven years. Those agreements gave inadequate incentives to invest or to perform well, did not set challenging quality targets or put the customer first.

The SRA's Strategy is to enable transformation of the quality of rail services that passengers experience, from door to door, by replacing these franchises with new contracts offering higher standards. In Autumn 1999 a programme was launched to replace the short-term franchises before their natural expiry, which lay mostly between February 2003 and August 2004. In parallel, opportunities are being taken to renegotiate and upgrade the seven long-term franchises where possible, successfully so far in two of them.

The initial results of the programme have been very positive. Heads of Terms have been negotiated for two new franchises so far, with two more close to completion, with major benefits promised to passengers. It is anticipated that Heads of Terms to replace most of the seven-year (or shorter) franchises will have been reached by the end of 2001 needing Ministerial acceptance of the long-term commitments involved. Lawyers, bankers and Railtrack's capacity to design and cost infrastructure improvements will dictate their final effective dates.

Both the SRA and short-listed bidders consult local interests and the Rail Passengers Council network extensively for each franchise.

The principle adopted by the SRA from the start in Autumn 1999 has been that prospective franchisees should put forward their ideas for improving rail services in the franchise area. The SRA will continue to insist on a service culture, putting the customer's needs as high as the need to operate safely and efficiently.

Part 3 of this document reviews the status of each prospective second generation franchise. It includes the map of prospective franchises issued by the SRA in June 2000, plus a commentary on its possible evolution.

Basically, the SRA is challenging niche operators competing for individual franchises to demonstrate they offer more financial strength and operating competence than the larger groups able to offer broader based strengths and economies of scale.

The investment required by the SRA's passenger strategy will be funded partly by the franchisees themselves. Others will invest in partnership with franchise owners – Railtrack, the SRA, local authorities, property developers, project management contractors, industrial and financial groups. The SRA will shape its investments to lever in private sector investment across the system – in access, in facilities, in operating capacity, in carrying capacity, in safety and quality, in everything from car parks to longer platforms to more trains to enlarged or improved track layouts and so on.

A key element of a better rail service is the provision of new trains. All the new franchises will include new or modernised trains. But the existing processes to get new rolling stock into service are not working well enough. As a result, passengers travel in old, unreliable trains while new trains stand in the sidings. The SRA has taken action to tackle this problem and will keep up the pressure on both manufacturers and Railtrack. Basically it is exasperating that new trains emerge unreliable from the assembly lines and that Railtrack for so long resisted a proactive approach to accommodating modern trains on its frequently erratic, often unmeasured infrastructure.

On-track competition

The privatisation process created a structure for the industry under which passenger services could either be provided under franchise agreements with OPRAF or completely independently of Government as 'open access' services'. Franchised operators were encouraged to compete with each other where they ran on the same routes in the hope that this would improve services and cut subsidies in the long-term. Once the first generation franchises ended in 2003/04, super-efficient TOCs would then be able to bid for the rights to run specified services on the routes of their choice. The freight companies were initially intended to be sold separately and compete with each other, but the then Government fell back from this approach when bidders did not appear.

The Integrated Transport White Paper pointed out the faults with this approach to competition. Not only is it sometimes inconsistent with closer integration of public transport services, it also, where the result is cherry picking of profitable routes, simply leads to transfer of the financial burden from passenger to taxpayer.

However, the availability of alternative offers at different prices can be encouraged within the franchised structure. Silverlink or WAGN limited stop trains compete with Virgin and GNER express trains from London to stations north to Birmingham and Peterborough respectively. Chiltern trains to Birmingham are a slower and cheaper alternative to Virgin mainline expresses. The SRA will seek to promote such competition in a pragmatic fashion.

In the busy rail network that we have, there are not enough spare 'paths' through the network in enough useful places to permit economic-sized operations on major routes. At many congested points of the rail network, merging operators together may lead to better use of capacity and may be the best short-term way of providing more trains to relieve commuter overcrowding. A more flexible approach to Passenger Service Requirements (PSRs) will sometimes be needed.

Accordingly, the SRA is revisiting the goal of ever-increasing on-track competition. The best way forward instead is to improve services through vigorous franchise replacement competitions whilst expanding capacity for the long term. An increase in capacity may ultimately lead to some scope for unsubsidised competition on busy routes, but the SRA expects even this to be limited in practice. The SRA shall be putting its proposals forward to the competition authorities and explaining the need to take a long-term view.

In the freight sector, the SRA is concerned to procure the benefits of competition where possible. It will be a matter of judgement whether road competition will suffice once rail freight is securely over the threshold and competing for intermodal freight. The SRA's 'company neutral' grant regime will help foster entry into the industry as may Railtrack's infrastructure haulage contracts.

Direct international passenger services are not part of the franchised network. Services between London and Paris/Brussels are operated by Eurostar and are growing successfully. The SRA is going to assume responsibility from DETR for sponsorship of Channel Tunnel services, currently provided by Eurostar (the UK element of which is a private sector consortium), as well as for the construction of the Channel Tunnel Rail Link.

The possibility of Eurostar services beyond London has recently been considered by an independent study carried out by Arthur D. Little, which concluded that they would be unlikely to deliver value for money, largely because of air competition on those routes. The SRA will continue to watch this area closely and will talk to interested parties about expanding Eurostar services where such options do offer value for money.

The challenge of rail freight

The challenge to the SRA is to bring about two complementary shifts – one within the rail industry, away from the BR culture in which freight was very much a poor relation and the customer got the crumbs from the rail table, the other within the logistics industry, inducing by cost, quality and reliability of service the trunk rail carriage of international (including the haul to and from ports) and domestic freight.

The SRA's Strategy is to pursue vigorously the Government's target of an 80% increase in the amount of freight carried by rail, measured by tonne-kms. Most existing rail traffic – around two thirds

Part 2: **The challenges** continued

measured by tonne-kms – comes from bulk freight markets such as coal, steel, aggregates and chemicals. Rail will continue to expand its role here, building on growth over the past five years. But the decline in British heavy industry puts a limit on further growth, hence the focus must be placed on switching non-bulk, intermodal traffic from road to rail, particularly but not only where it moves to or from Britain's major ports or the Channel Tunnel.

The SRA will support investment and innovation by Railtrack and efficient operators in:

- the network, to expand operations on and increase the capacity and loading gauge of key routes, especially between London, the main other centres of economic activity and ports; and
- freight interchanges, to give more customers direct and efficient access to the rail network and allow smoother transfer between road and rail.

Further, increased and better targeted 'company neutral' financial support will be available, meaning it will be related to freight movements as they happen rather than to any operator in particular. The SRA has to demand that the industry improves performance and customer service, to enable the logistics sector to rely on a much more viable and competitive rail alternative. If the 10 Year Plan target is achieved, freight movements measured by tonne-kms in 2010 will show a 150% increase over the period immediately before privatisation – about 33 billion tonne-kms against 13 billion. Achieving that will raise rail's share of growing domestic freight movements from well below 6% to above 10% over the 15 years.

Progress is being made, not least by the largest freight operator, EWS, who led the introduction of a large fleet of new wagons and American diesel locomotives, but technology and commercial innovation are at the heart of the challenge facing existing and new rail freight operators. Rolling stock, for example, must in future include powered multiple-unit trains, modelled on the CargoSprinters used in Germany, easy to move in either direction and join and separate, quick to accelerate and brake, able to co-exist better with passenger trains.

The SRA will engage with the urban and regional planning process at all levels in pursuit of intermodal transfer sites. The SRA's strategy will be positive, proactive, at close quarters with current operators and prospective entrants, with Railtrack and with prospective specialised or open access terminal developers.

There will never be a better opportunity to change the balance between road and rail freight, so long as the rail operators adopt and deliver a skilled, 'can do' approach – in contrast to BR attitudes during the years of decline. The fact that the new locomotives offer significantly greater reliability compared to the old BR stock is a good start.



The infrastructure challenge

The challenge to the SRA is massive. The core investment programme is in the rail system's infrastructure. Railtrack cannot do it all and the SRA has to work with Railtrack and others to line up the resources of management as well as finance, needed to supply a safer, better and bigger system.

As a monopoly controller and operator of the network, Railtrack has to be at the heart of this programme, but the core of the SRA's Strategy is to match the huge task more closely to an aggregation of (a) Railtrack's capabilities with (b) resources that complement Railtrack's funding and managerial capability.

Railtrack was privatised into a less than fully-defined role as a regulated utility supplying, at controlled prices, the Operation, Maintenance and (incremental) Renewal (OMR) of a network not expected to grow significantly. The major strategic route project foreseen, a renewal of the WCML with marginal upgrade, became part of the negotiation of a long-term franchise for intercity services over that route.

The subsequent growth of passenger and freight traffic over the network led to an uncomfortable recognition that a further very burdensome set of obligations – a second business or diversification, in strategic terms – was being imposed upon Railtrack. This amounted to a major projects 'Design, Build,

Finance and Transfer' (DBFT) business to replace and/or enhance significant elements of the network. Until November 2000, post-Hatfield, Railtrack did not resist this imposition, appearing to see it as a growth opportunity. Last December, however, the SSRA Chairman spelled out the problem in a speech to the Rail Passengers Council in which he said:

"...Whichever way I look at Railtrack, I see it as two businesses:

- an operations and maintenance, utility-type group; and
- a major projects undertaking: the design, building and financing of projects for transfer to the utility group upon completion; once the project risk is behind and the investment can be refinanced at lower cost.

... At present both businesses are within one company, regulated as one enterprise. I see good reason to keep the two within a single grouping because Railtrack's single control of the network is essential to safe and efficient operation. But I believe the major projects ... need to be separately financed and managed until completed and transferred...."

Railtrack's new Chief Executive concurs with this view and this accord has been confirmed recently in a discussion between Sir Alastair Morton and the Railtrack Board of Directors. There is clearly a great deal of detailed work ahead to convert these ideas into new structures, and once that has been achieved, to deliver the structured projects. Today, the railway industry suffers from deficiencies in the supply chain and shortages of skilled people.

A key turning point in the evolution of responses to the lengthening menu of major projects was Railtrack's analysis of the Regulator's final conclusions to his charges review, published at the end of last October. By January 2001 Railtrack concluded that:

- its financial situation, not only inadequate *ab initio* but weakened by the costs and images of the post-Hatfield problems, might not permit it to fund all its current programme of committed and planned enhancements; and
- its management resources net of the priority demands of its core OMR business, were already stretched past any notion of significant increase in

the major renewal and enhancement programme.

Railtrack has to rebuild confidence in its capabilities.

In short, after a long series of unsatisfactory exchanges in 2000, Railtrack and the SRA have converged towards proposals for a partnership approach to Railtrack's DBFT 'business', a partnership which must also lever into the industry substantial management and financial resources, the latter from global capital markets. Discussed in Part 3, this combination of partnership and external resources is at the core of the SRA's Strategy. It is at the heart of the Strategic Agenda and key to the development of a Strategic Plan. It will also involve extensive consultation with the Regulator as the coexistence of Railtrack's

- OMR core business and
 - DBFT second business
- will generate differences in regulatory approach to different segments of Railtrack's structure and/or activity. This must evolve in parallel with Lord Cullen's recommendations for safety regulation and their implementation.

The SRA and Railtrack now have to engage on two levels:

- the lower or Project Development level, developing the portfolio of replacement and enhancement projects necessary to deliver the safer, better and bigger network, the resources to deliver them; and
- the higher or Strategic Partner level, developing the partnership and funding structures to permit delivery of these projects and the evolution of railway development within a satisfactory financial and regulatory framework.

Over the coming decade, the challenge to all the parties, led by the SRA, is successful investment:

- to deliver the safer, better, bigger railway; and
- to grow past the present situation where Railtrack's priority core business (OMR) is outweighed by the disproportionate scale of its 'second' business (DBFT).

The core business is conducted on the network as it exists and focuses on Railtrack's Regulatory Asset Base (RAB). The sizes of the two businesses – relative to

Part 2: **The challenges** continued

each other – will be satisfactory when the RAB and regulated returns thereon are sufficient to fund the continuing development of the network to meet demand for railway services in coming decades.

PPP – Public Private Partnerships

The SRA must provide a framework for public private partnerships (PPPs) to flourish and deliver this investment-led Strategy.

It must do this via consultation and understandings with the key stakeholders, from Railtrack via TOCs, investors and others to regional bodies and devolved governments and to the customers – freight shippers and passengers. This needs to be, in size and complexity, perhaps the biggest PPP Europe has ever seen.

7 The SRA and the private sector

The challenge facing the SRA is to pick its way towards successful investment in railway development, working through situation after situation, in an industry which – like all European and most other railway systems – is not profitable in aggregate.

Again and again there will be choices between what the user must pay, what the private sector operator or supplier must bear and what the taxpayer will pay in recognition of benefits which cannot be captured in cash.

The rail industry has been privatised and is not to be re-nationalised. That means that the private sector intends and is intended to make a satisfactory return on its investment, subject always to its meeting its public service obligations as a pre-condition imposed by both regulation and subsidy (where given).

In the franchise replacement process the SRA has begun to put in place durable partnerships between the public and private sectors, based on what each party is best placed to contribute. The main parties are Railtrack, the passenger and freight operators, financiers, investors and the customers served. The

SRA looks to TOCs in particular, who are closer to the market than the SRA, to take the lead on proposing service improvements in the context of the SRA's overall priorities for franchise replacement or renegotiation.

In infrastructure the new understanding with Railtrack on intentions to work together in the future has been emphasised. In the SRA's view, it is a relief that the way is now clear to engage with Railtrack on the two levels described. The process will place significant demands on both parties, and on their owners/sponsors – Ministers, DETR and the Treasury on one side; shareholders and lenders on the other. The SRA will set its priorities for infrastructure investment and will agree with Railtrack the best route to their delivery. As directed by the Transport Act 2000 the SRA's role will be to make sure that suppliers give their customers the best deal within the SRA strategy. This country wants a satisfactory public service – a well integrated, safe, high performance rail system – and it wants more of it. The private sector has to deliver it; the SRA, in consultation with the Regulator, has to develop and maintain consensus on the framework and content of it.

8 The SRA and the public sector

The challenge for the SRA is to achieve both consensus and momentum among the many public sector interests in transport, and to obtain value for money for the funds they will commit.

The SRA's duty is to promote the development of the railway as part of an integrated transport system. Extensive consultation with devolved, regional and local government has highlighted the significance of the railway in delivering development and spatial plans, as well as other aspects of Government policy such as those on the environment, employment, health and social exclusion.

The SRA attaches great importance to working with local, regional and devolved government. In Scotland, the Scottish Executive will define the

Multi Modal Studies and Regional Transport Strategies

The 10 Year Plan highlighted the role of the programme of multi modal studies as a key means of delivering a better integrated transport system. This programme has been developing steadily and by the Summer some 19 studies will be complete or underway in England. One study, on access to Hastings was the first to report in December 2000. The Multi Modal Studies look at the contribution that all modes can play in seeking solutions to transport problems in a particular area and in delivering integrated transport plans for these areas for up to 30 years ahead.

Decisions on the Multi Modal Studies will be taken through the new arrangements for developing Regional Transport Strategies (RTS) as part of Regional Planning Guidance (RPG). The Regional Transport Strategies will provide regional priorities for

transport investment and strategic guidance on the future development of the transport system. They also provide the regional context for Local Transport Plans, the heavy rail element of which can be funded by the SRA's RPP programme (see Box on page 49).

The SRA is represented on all the English Multi Modal Studies and is also taking part in the Central Scotland Transport Corridor studies. It is keen to ensure that these studies look carefully at potential rail solutions involving both passengers and freight. In addition, the SRA is becoming involved at all levels of the planning process, providing inputs to the evolving RTSs and RPGs, as well as to the revision of PPG13 (transport) which provides the national planning context for transport policy.

intra-Scottish rail services it wants to see and will fund them – the SRA's role will be to procure these services on its behalf. The Scottish Executive has recently published a consultation document on Scotland's priorities for rail development within the context of the overall development of Scottish transport policy. The Executive Summary from its investment-led strategy is reproduced in Annex 5. In Wales, the SRA is taking into account the views of the National Assembly for Wales as it formulates its plans, and has done so in designing the new 'Wales & Borders' franchise. Annex 6 provides an extract from the National Assembly for Wales' vision for rail services in Wales, which has been provided to all franchise bidders. In London the Mayor has led Transport for London (TfL) in publishing a public transport strategy. The Executive Summary from this strategy, which highlights the scale and importance of the task ahead, is reproduced in Annex 7. The SRA is working well with TfL on the rail elements of it, though understandably priority there is for the moment being given to the Underground.

Local Transport Plans, Regional Transport Strategies and Multi Modal Studies (see Box above), being developed to provide closer integration between transport and land-use planning policies, also provide an important input into the context in

which the SRA works. The SRA must carry all tiers of Government with it if it is to achieve the investment needed. The SRA is building its in-house expertise, particularly in relation to the land use planning system, to provide a better focus to its work with local and regional bodies. In six metropolitan areas of England and one in Scotland, Passenger Transport Authorities and Executives play a key role in rail planning and setting quality standards. They need to enlarge their vision of the potential achievable in concert with the SRA as opposed to continuing ossified timetables and conditions of service. The future needs of Leeds, Manchester and Birmingham – to name but three – will not be the same as they were in 1980 or 1990. The SRA is focusing particular attention on how the SRA and PTEs can best work together in future. The SRA will, under the Transport Act 2000, take over the provision of finance to the six English PTEs and is currently in discussion with Government and the PTEs themselves about what this can achieve. Strathclyde, the sole non-English PTE, will be funded by the Scottish Executive.

The role of the Rail Passenger Committees, which provide an independent voice for passengers, is being strengthened as they move from the Regulator's sponsorship to that of the SRA. The SRA very much

Part 2: **The challenges** continued

hopes that they will continue their evolution from being commentators on rail's problems to being participants in its development and indeed would congratulate them on their positive stance on behalf of passengers during the post-Hatfield crisis. The SRA is committed to support their work, involve them by consultation and keep them informed.



The SRA and its partners

The challenge to the SRA is to develop partnerships, leveraging resources and skills into the system where both are in short supply.

The SRA is not an operator except in last-resort fulfilment of its statutory obligation to assume the continuation of passenger services where no franchised or other operator is available. Nor is it an infrastructure contractor or supplier, etc. Subject to constraints of availability of funds and value for money, it can invest and lend, but it will not compete with funds from capital markets. From whatever angle, it is the SRA's strategy to pursue its objectives via public private partnerships with other stakeholders, supported by consensus developed through strategic leadership of opinion and understanding.

These public private partnerships must continue for at least the next decade. Over that period, the SRA as the principal public partner must aim first to advance, bringing together the skilled human resources, the suppliers and the finance to master projects, and then to retreat as and when revenues from investment build up to a level able to support safe and efficient operations, repayment of debt and funding of subsequent investment.

By definition, if the SRA's strategy succeeds in the DBFT business with Railtrack, the latter will grow and mature into an investor large enough to drive the infrastructure enhancement programme forward on its own, under Condition 7 of its licence – which requires it to meet the reasonable requirements of users and funders.

However, the acceptance in recent weeks of Railtrack's inability to fund a substantial enhancement programme (the DBFT business) in the near future inevitably throws up a question: "Who will pick up that burden? – The SRA? Project management contractors? Structured finance from the City? Property developers? etc." Probably all of them, but the SRA has to develop project funding structures that do not return all risk to the public purse under public expenditure rules.

Government, it is hoped, will be able to maintain its confidence in the SRA's achievement of these objectives, and so both support the achievement and retreat with the SRA when it is achieved – subject always to remaining satisfied that the system is delivering its public service obligations and giving value for money.

the
agenda

Part 3: **The agenda**

The SRA's strategic agenda

The Shadow SRA spent its short but vigorous 18 months of life:

- first, defining the three main avenues of strategic advance:
 - refranchising passenger operations;
 - developing competitive rail freight; and
 - co-investing in infrastructure enhancement.
- second, building consensus in Whitehall, in London, Scotland, Wales and the English regions, and in the industry for its pursuit of those avenues of advance; and
- third, beginning to lift the industry's sights above the levels set in the hasty privatisation between 1994 and 1997.

As the new Government's White Paper said in Summer 1998, the rail system must offer an integrated network of services, to freight as well as to passengers, and must itself be integrated more positively within Britain's transport systems.

In all that the SRA does, it must maintain that objective of integration. More than before, as far as is possible, use of the railway must be readily available if the desired modal shift from private road to public rail transport is to be achieved.

As we go forward from 1 February 2001, the SRA's Strategic Agenda is best listed under those three headings:

- refranchising;
 - freight development;
 - infrastructure enhancement;
- plus one more:
- a list of ancillary and supporting activities requiring co-ordination and development.

The SRA's priorities

The SRA's role is to provide the framework for delivery of the rail component of the 10 Year Plan. A number of goals have been set for the industry through the Plan. The SRA in turn has identified the following priorities and aims in order to deliver the 10 Year Plan goals:

Safety: continuous improvement in safety, including implementation of the recommendations of the Cullen Inquiry;

More punctual, less crowded trains: this means 15 out of 16 trains arriving within our punctuality standards. It also means reducing overcrowding throughout the network;

Improving accessibility: Making it easier for everyone to access the rail network, use it safely and reach their final destination as easily as possible, particularly those with disabilities;

Removing bottlenecks to increase capacity: removing bottlenecks in urban areas and on the main interurban routes, to enable higher frequencies and improved journey times. The 'main' lines to and from London will win a lot of new traffic and there must be a strong focus on the London area but cross country routes which do not go via London (such as the TransPennine Express links) also have great potential and commuters in conurbations other than London are a key target for the shift to rail;

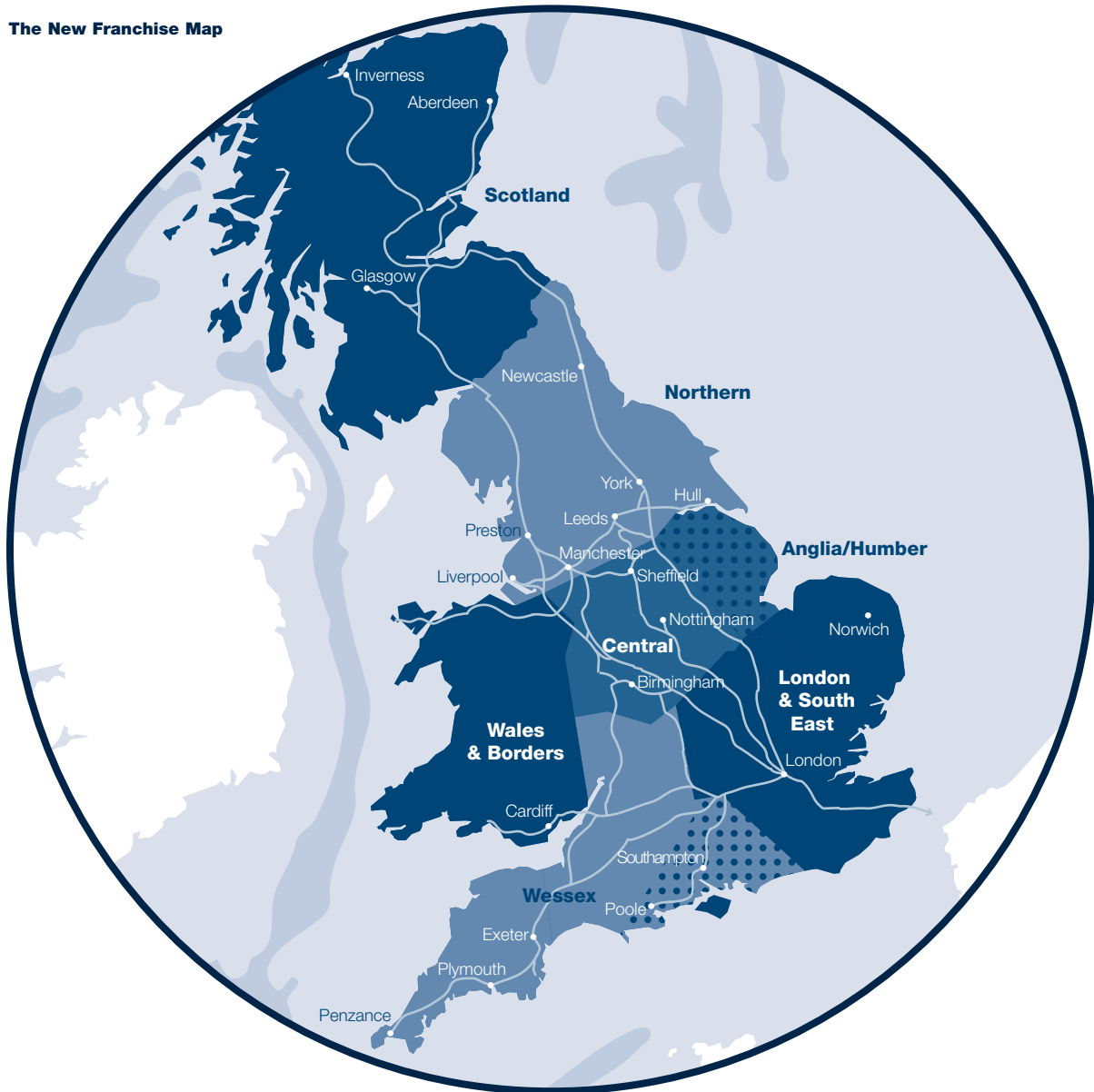
Increasing rail freight: investing in a core freight network to and from major centres of economic activity and ports. Facilitating the provision of new and expanded freight interchanges;

Better stations and rolling stock: station rebuilds to bring them up to modern standards and provide for growth, together with an integrated approach on access to stations including improved walking and cycling routes, more car parking and better public transport links. Rolling stock offering higher levels of comfort, and which is designed to meet the full range of customer needs;

More resilient rail operations: developing operational resilience, so that there are reserves of staff and equipment when things go wrong and more flexible infrastructure, including diversionary routes, particularly for freight trains; and

Better information: the shortcomings in the rail system's delivery of real-time information to users were glaringly highlighted in the confusion after the Hatfield crash.

The New Franchise Map



Main strategic routes and franchise areas shown

Part 3: **The agenda** continued

Refranchising

Introduction

Foreshadowed in a speech on 30 June 1999 by Sir Alastair Morton, the SRA's programme to replace the 18 short-term franchises was launched in October 1999. Its aim was to reach Heads of Terms on all replacement franchises by the end of 2001. It is to be complemented, where possible, by negotiated upgrades of the seven longer-term franchises.

No franchise can be expropriated: franchisees being replaced must either offer or agree to give up their first-generation franchise. The essence of the process is competitive offers, careful analysis – of commitments and aspirations put forward against stated criteria, emphasising investment and service improvement – and then negotiation and agreement.

The process has proceeded so far in tranches, as follows:

- Tranche One: Chiltern, South Central, East Coast;
 - Tranche Two: South West, Central, TransPennine Express, Thameslink; and
 - Tranche Three: Wales & Borders, Wessex;
- with the rest still to be launched.

Details of pre-qualifiers and shortlisted parties for these franchises are set out in Annex 8.

Two long-term franchises, Midland Main Line and c2c Rail (formerly London, Tilbury and Southend), have been upgraded by agreement.

The process is behind schedule. While faster progress is anticipated on subsequent negotiations, with many issues having been now explored and decided, the very last of the new franchises will not reach Heads of Terms by end 2001, and allowing the usual time for lawyers and bankers, may not enter into effect much before April 2003.

The following sections briefly review the state of development of new franchises to replace the 18. Commercial confidences must be respected and the descriptions emphasise aspects of the proposals and negotiations which illustrate the SRA's strategic intentions.

The SRA has declared its interest in fewer, stronger franchises provided they always offer value for money.

Tranche One

Heads of Terms were announced:

- for the new Chiltern franchise in August 2000; and
- for the new South Central franchise in October 2000.

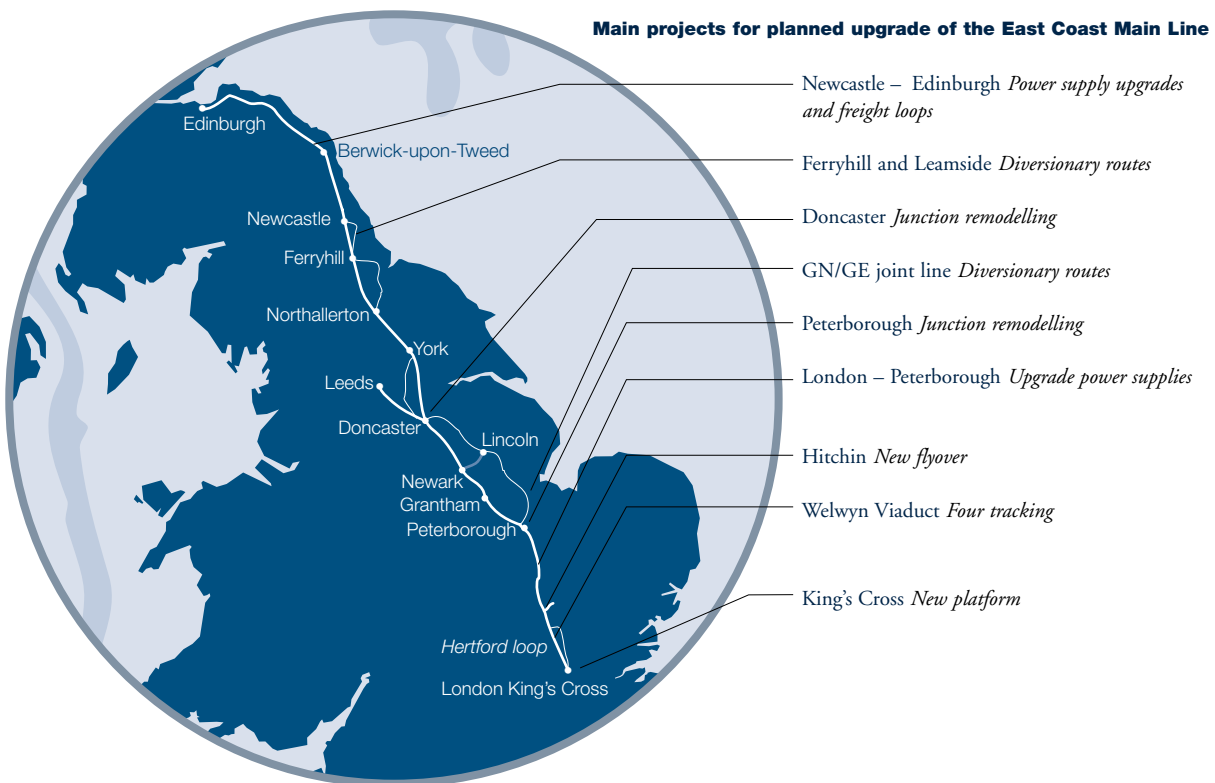
The incumbent was successful in the Chiltern franchise. The other (Connex South Central) will be replaced by a neighbour (GoVia, the current Thameslink franchisee). The benefits of the competitive process were amply proven, with very substantial advances in commitments being achieved through the process of initial proposals, Best and Final Offers (BAFO) and then in the Heads of Terms.

A preferred bidder will be announced for the new East Coast Main Line (ECML) franchise once the SRA has clearance from Ministers; and one is close to selection for the new South West franchise.

In aggregate, the winning four bidders are likely to invest something around £2.5 billion in new rolling

Organising for delivery within the SRA

<i>Delivery Directorate</i>	<i>Responsible for current franchises</i>
Strategic Routes	Cross Country Great North Eastern Railway Great Western Midland Mainline West Coast Trains
Regional Networks	Central Trains Merseyrail Electrics Northern Spirit North Western Trains Cardiff Railway Company ScotRail Wales & West
London & South East	Anglia c2c Rail Chiltern Connex South Central Connex South Eastern Gatwick Express Great Eastern Island Line Silverlink South West Trains Thames Thameslink West Anglia Great Northern



stock and to deliver infrastructure investment, whether as a co-investor with Railtrack, the SRA or others, of about twice this.

In each case the SRA franchise payments, in the relatively brief period between each new franchise's entry into effect and what would have been the terminal date of the discarded franchise, will be somewhat higher to support preparations for the investment programme. Those franchise payments will then increase as the investments are made under the longer term franchise and then will decline as the benefits – higher farebox revenues, etc. – flow through.

Of the four franchises committed or near commitment, three will serve London commuters. Their bids anticipate passenger kms rising by about 50% over 10 years.

Provision has been made for revision or even termination of the East Coast franchise after 12 years, if that is appropriate if and when a High Speed Line goes ahead following on from an SRA-led study. (see page 56).

Tranche Two

Of the four franchises in this tranche, one (South West) reached BAFOs late in 2000 from the three short-listed bidders (see Annex 8) and should produce a preferred bidder shortly. One (TransPennine) is expected soon to reach the stage where the SRA will be able to reach a conclusion on BAFOs.

In the case of Central (running services East-West across Britain, principally through Birmingham) the two proposals received did not offer sufficient advantages to justify terminating the existing franchise. The SRA has rejected them and proposes to explore, in the context of discussions with all the Passenger Transport Executives (PTEs), whether a more fruitful co-operation with the West Midlands PTE can be developed to attract better offers. In the light of those discussions the SRA will decide whether to re-offer the Central franchise at the same time as the new Northern franchise or let it run to expiry.

Part 3: **The agenda** Refranchising continued

Benefits from franchise replacement

Heads of Terms agreements have been negotiated for two new franchises to date: Chiltern and South Central. The initial results have been very positive: the new franchise for Chiltern railway, announced in August 2000 and currently being concluded will deliver:

- 50% more train miles from May 2004;
- 15 out of 16 trains arriving within SRA punctuality standards by 2004;
- all rolling stock to be new or refurbished; and
- better integration with other modes of transport.

The new South Central franchise, another commuter service, was announced in October and will deliver:

- increased capacity on the Brighton Main Line (by 2006) and the Arun Valley Line (by 2004);

- higher frequency service on the South London Metro;
- 9 out of 10 trains arriving within SRA punctuality standards by 2005, rising to 15 out of 16 by 2010;
- a total of 1,000 new vehicles to be delivered over the life of the 15 years franchise and all non-Mark 1 stock to be refurbished; and
- a £300 million investment programme for depots and stations, including improved disabled access and integration with local bus and taxi services.

These agreements are concrete examples of how the goals and aspirations of the 10 Year Plan are being converted into deliverable investment packages.

The issue between the SRA and any PTE is the conflict on a crowded network between local train services, often using smaller, slower, stopping trains, and inter-urban expresses and limited-stop services. The former are, by statute, the dominant concern for PTEs and both are the concern of the SRA. Modal shift to rail requires good service for both commuters and longer distance travellers. There is no single good answer on a congested network: flexibility and patience are required on both sides, and investment in more appropriate capacity. For example in Birmingham the current capacity study led by the SRA is considering a “RER”- style line from North to South, passing underneath the main services through the central rail station at New Street.

In the case of Thameslink, since nine bidders prequalified (see Annex 8), the process has slowed down. The current public inquiry into the Thameslink 2000 planning application under the Transport Works Act (TWA) has made less progress than had been expected. The SRA expects progress on Thameslink will resume in 2001. Meanwhile the incumbent, GOVIA (60%-owned by the British Go-Ahead bus and rail group and 40%-owned by Via, effectively controlled by the SNCF) has won the new South Central franchise, raising questions both about competition on the Brighton Main Line and possibilities of greater efficiencies in the use of scarce capacity and operating management.

The new Thameslink 2000 franchise will be substantially bigger than the first generation Thameslink franchise. To the latter core will be added:

- the services south of the river identified at privatisation for transfer once the Thameslink 2000 enhancement project (from a new station beneath St. Pancras through to new tracks around London Bridge) is commissioned; and
- the “Great Northern” (GN) commuter services into King’s Cross currently operated by WAGN, a first-generation franchise whose dismemberment is currently underway. Most of those GN services will operate through the Thameslink tunnel once the enhancement is commissioned.

Of the two new Tranche Two franchises still proceeding, one is a major London commuter service. The other, TransPennine Express (TPE), is an important feature of the SRA’s Strategy. Until now the terms ‘high speed’ and ‘intercity’ have generally referred to services on the ‘main lines’ into major London termini: West Coast (Euston), East Coast (King’s Cross), Midland (St. Pancras) and Great Western (Paddington). The SRA believes it just as important to provide upgraded, faster, intercity services running east-west across the Pennines in the North of England. The core route is Leeds-Manchester, upon which traffic has been growing rapidly with the renaissance of these two major cities.

TPE, however, will not only link that pair, it will provide express trains:

- linking the East Coast and West Coast Main Lines, north of the Midlands;
- linking Newcastle, Hull and other centres on the East Coast via York and Leeds with Manchester, Liverpool and other centres West of the Pennines;
- improving links between Sheffield with Manchester; **and above all:**
- creating a much larger rail service catchment area for Manchester's rapidly growing International Airport, stretching as far afield as the West Midlands, North Wales, Cumbria, Yorkshire and the North East.

Manchester International Airport has completed a second runway. It is forecast to handle more than 30 million passengers in years to come, as Britain's premier regional airport. To do that efficiently, 25% of its passengers (and friends/relatives) ought to use public transport (rail, light rail or bus) to and from the airport by 2005, rising towards 40% in the years beyond. The TPE franchise will have to meet its large share of that need.

The SRA expects to reach Heads of Terms with preferred bidders on South West soon and on TPE by late Spring this year.

Tranche Three

This tranche consists of two newly-shaped franchises which have emerged separately from intensive consultation processes – Wales & Borders and Wessex.

The latter, Wessex, takes in almost all the routes currently in the Wales & West first-generation franchise which are not assigned to the former, Wales & Borders. The first-generation Cardiff Valleys franchise is within Wales & Borders.

These two franchises are major steps to produce a more coherent and effective network in the West, in South West England, in Wales, in the Cotswolds and Borders regions. They are complementary to the longer-term First Great Western franchise operating high speed, intercity services on the main lines to Paddington from South Wales, Bristol and Cornwall.

Franchise ownership

<i>Franchise</i>	<i>Owner</i>	<i>Termination Date</i>
c2c Rail	National Express	May 2011
Cardiff Railway Company	National Express	April 2004
Central Trains	National Express	April 2004
Gatwick Express	National Express	May 2011
Midland Mainline	National Express	April 2008
ScotRail	National Express	April 2004
Silverlink	National Express	August 2004
Wales & West	National Express	April 2004
West Anglia Great Northern	National Express	April 2004
Great Eastern Railway	FirstGroup	April 2004
Great Western	FirstGroup	February 2006
North Western Trains	FirstGroup	April 2004
Connex South Central	Vivendi	May 2003
Connex South Eastern	Vivendi	October 2011
South West Trains	Stagecoach	February 2003
Island Line	Stagecoach	October 2001
Merseyrail Electrics	ARRIVA	February 2003
Northern Spirit	ARRIVA	February 2003
Cross Country	Virgin Rail Group	April 2012
West Coast Trains	Virgin Rail Group	March 2012
Thames Trains	Go-Ahead Group	April 2004
Thameslink	GOVIA	April 2004
Great North Eastern Railway	Sea Containers	April 2003
Anglia	GB Railways	April 2004
Chiltern	M40 Trains	July 2003

Notes:

1. GOVIA is a joint venture between Go-Ahead Group and Via GTI of France
2. GOVIA is currently negotiating terms with Connex for taking over the existing Connex South Central franchise and is completing a 20 year franchise agreement with the SRA
3. M40, a subsidiary of John Laing with a minority stake owned by Chiltern's management, is completing a franchise agreement with the SRA on a new franchise for Chiltern with a 20 year length
4. Virgin Rail Group is jointly owned by Virgin and Stagecoach

Part 3: **The agenda** Refranchising continued

The Wales & Borders franchise, which has reached the short-list stage, was carefully planned with interested users, regional and local communities. On 15 February 2001, the SRA shortlisted four parties to prepare BAFOs for the Wales & Borders franchise. They were:

- ARRIVA plc in conjunction with Connex Transport UK Limited
- FirstGroup plc
- National Express Group PLC
- Serco Rail.

The franchise aims to integrate the provision of rail services within Wales; between South and North Wales via the Hereford and Shrewsbury line; and between all parts of Wales and Birmingham. The National Assembly for Wales, very naturally, takes a keen interest in the proposal.

The Wessex franchise unites limited-stop diesel services over a wide area between London Waterloo, Gloucester, Bristol, Cornwall, Weymouth and Brighton. In particular, it envisages the restoration of a double-track operation between Salisbury and Exeter. In the SRA's view, bids for this franchise are to be considered either:

- on their own merits; or
- within proposals for running the franchise under management unified with a strong neighbour.

The possibilities obviously depend on the interest shown by those other franchisees, none of whom may, in the event, put forward a better bid than a solo Wessex bidder.

On 2 March 2001, SRA announced that seven parties had prequalified to submit proposals for the new Wessex franchise. These were as follows:

- Connex Transport UK Limited;
- FirstGroup plc;
- GB Railways Group Plc;
- Group 4 Falck Global Solutions UK Limited (new to rail franchise operation);
- National Express Group PLC
- SBB Laing, a partnership between Swiss Federal Railways and John Laing Investments Limited; and
- Stagecoach Holdings plc.

In addition, Virgin Rail Group Limited and FirstGroup plc will be separately submitting proposals to add the Cornwall & Plymouth Business Unit to their CrossCountry and Great Western franchises respectively, in competition with the Wessex propositions for these services.

Tranche Four

After the two franchises already put out as Tranche Three, invitations to bid for two more will follow shortly:

- Thames, corresponding largely to the first-generation London commuter franchise based on Paddington, but issued with the possible interest in joining it to a neighbour already described; and
- "Anglian," a provisional name for a proposed franchise to take in two and a half first-generation franchises, all based on London Liverpool Street, namely Anglia, Great Eastern and the West Anglia services currently within the WAGN franchise.

In the first generation franchises, significant store was set by competition between London and Ipswich to be offered by Anglia and Great Eastern. Although that has led to more frequent services and reduced fares for some, it has proved too much for Anglia's finances. Competition has served mainly to transfer the financial burden from user to taxpayer, which is unsatisfactory. At the same time, the timetabling complications of having three distinct operators in and out of Liverpool Street served principally to reduce line capacity at a congested location. Perhaps on-line competition will become possible there some time in the future.

Capacity rationalisation, network efficiency and quality of service, alone or in co-operation with a neighbouring franchise under the same management, will all play a part in the assessment of the Thames franchise bids – which may or may not reduce the number of operators into Paddington, and facilitate more rational use of scarce capacity.

The last London franchises

By the time, later in 2001, that all the questions above around South West, TransPennine, Wales & Borders, Wessex, Thames and Anglian have resolved into a preferred bidder for each, the shape will be

The step change in quality being delivered by refranchising

In line with the aims of the 10 Year Plan, the SRA has developed new franchise agreements which will deliver significant improvements in the quality of services provided to passengers. All replacement franchise agreements will commit the franchisee to deliver continuous improvement in safety. The other improvements to be delivered are:

Improved customer satisfaction

The SRA is measuring customer satisfaction through its own National Passenger Survey (NPS). Franchisee delivery will be monitored against survey results every six months and explanation of significant deviation from benchmark levels of performance will be required. In addition, the SRA is undertaking a Mystery Traveller Programme in which specially commissioned observers travel on the network and report back on issues such as station cleanliness, staff helpfulness and the overall travelling environment. Customer satisfaction levels will be a key input to the periodic reviews of franchisee performance that will take place to the timetable laid out in each new franchise agreement.

Reduced overcrowding

Operators must plan to solve current and future capacity problems through investment in track and signalling upgrades, station improvements and additional rolling stock and then convince the SRA that they can deliver their plans. Commuter operators in London will be expected to provide, under the agreements, additional rolling stock to meet demand up to a level set by the capacity of the infrastructure, not just the level set by available rolling stock as under the existing agreements.

Higher service levels and shorter journey times

A commitment must be made to maintain the level of existing timetabled services – subject to revisions of Passenger Service Requirements (PSRs) which are no longer consistent with passenger needs – and there should be proposals to improve them wherever possible.

Better punctuality

The SRA's target is that 15 out of 16 trains should reach their destination within ten minutes of scheduled time (for strategic routes) or within five minutes for other services. This is a demanding goal and one that may take years to deliver nationally, requiring, as it will, substantial investment in infrastructure, operational resilience and reliable rolling stock. The replaced franchise agreement will set out an agreed timetable over which this level of performance will be delivered by each franchisee.

Improved Passenger's Charter arrangements

The SRA is seeking improved arrangements for compensation when things go wrong. The SRA believes that all passengers (including season ticket holders) should be entitled to a 50% refund for any individual delay of 30 minutes with an increased refund for longer delays. The SRA also hopes that operators will extend any applicable season ticket renewal discounts to weekly ticket holders.

An improved incentive regime

The incentive regime applied by the SRA to operators to improve punctuality is also being improved in three key ways. Financial bonuses and penalties are being doubled to provide increased incentives to make trains run to the timetable. In addition, the regime will be applied to all services on everyday of the week rather than only the main weekday timetable as in the past. Finally, the regime will be benchmarked against desirable levels of future performance rather than what was achieved in the past. The regime will continue to monitor train performance at measuring points along a train's journey as well as at its destination to ensure that punctuality at intermediate points improves as well.

Operational resilience

Performance is not simply a matter of calculation and planning to deliver "normal" operations. It is important that there is adequate back up, in terms of personnel, resources, more flexible infrastructure and (where possible) diversionary routes, when things go wrong. The new franchise agreement requires operators to build in sufficient operational resilience to deal with reasonably foreseeable day-to-day problems on the railway.

The door to door journey

Potential franchisees must make proposals on improvements to transport integration, including car parks and bus connections, cycles and pedestrian access, and to information and station facilities.

Part 3: **The agenda** Refranchising continued

clear of the future network on the main lines from London and generally south of Birmingham, and set out in the Strategic Plan. Before then, the SRA must also move to resolve the future of the one existing shorter-term London commuter franchise not yet mentioned – Silverlink.

This franchise, which currently expires in 2004, at present is in two parts, fairly distinct from each other:

- Silverlink County which focuses on fast and limited stop trains between Birmingham, Northampton and London; and
- Silverlink Metro which runs local stopping services between Watford, Euston, South West London and London Docklands.

They depend little on each other, and each is going to be strongly affected by other developments on the network by 2004/5.

On the one hand, the upgraded 140 mph services on the rebuilt WCML will necessitate closely-linked adjustment to Silverlink County services. On the other, it is the SRA's present intention, subject to further consultation, to work with Transport for London to amalgamate Silverlink Metro with other services to form "Orbirail". This will be a new franchise, unlikely to enter into operation before 2003/04, operating on and beyond the East London, North London and West London lines. Its creation depends on the East London Line extensions for which powers North of the river exist and are being sought South of the river and on upgrading/enhancement of the North London and West London lines. The strategy for shifting more freight off the North London line is very relevant.

Silverlink County is, therefore, left as a prime candidate to be merged with a stronger neighbour – whether the West Coast or the Midland Mainline (MML) franchisee, or conceivably Thameslink or Chiltern. One way or another, it is unlikely to continue a separate existence, but the primary concern in replacing it will be to enhance the quality of service provided on the second line from Euston to Birmingham – that via Northampton.

Finally, in the London area, the SRA will seek to

upgrade rail services to the main airports. Although the Heathrow Express (belonging to the airport operator, BAA) is not a franchised service, it shares access to Paddington. Proposals exist for running it also to St. Pancras and hopefully one day it will connect with a new East-West line under London. BAA have come forward with National Express, owner of the long-term Gatwick Express franchise and (through acquisition of Prism) West Anglia services to Stansted, to discuss an "Airport Express" franchise. The SRA is open to this. It is possible that discussions will also take account of revived proposals for a new East-West line under London, and for the "Airtrack" proposal to connect Waterloo and Paddington stations via Heathrow.

Greater London's network of rail commuter services is on a scale far beyond other British cities. While percentage growth may not be huge, the number of additional commuters needs to be addressed, from real time information through access (car parks, public transport interchanges, facilities for disabled people) to the hygiene, quality and punctuality of the journey, to the dispersal from each terminus, etc. All are within the SRA's remit.

The English PTE franchises

Further north, from the West Midlands 'Travel to Work Area' north to the Scottish border, the only relevant proposed new franchises discussed above are TransPennine Express and East Coast. Three of the long-term franchises – the Virgin Trains pair (West Coast and Cross Country) and Midland Main Line – are also relevant. High speed intercity services to the Midlands and the North are in hand.

The first common denominator of the stalled Central franchise and the proposed Northern franchise is that they have to integrate commuter and local services specified by PTEs with longer-distance, limited-stop services. In short, the SRA and the PTEs have to reach an agreement. The relatively unique Merseyrail franchise also involves a PTE, but is almost totally insulated from the national network.

The second common denominator is that the 'PTE franchises' (and the 'devolved' franchises in the

The SRA's approach to refranchising of the English PTEs

There are six English PTEs, in the major conurbations of the West Midlands, Merseyside, Greater Manchester, West Yorkshire, South Yorkshire and Tyne & Wear. They are responsible for securing the provision of public transport services in their respective areas, by heavy and light rail and bus, and are therefore well placed to play a constructive role in improving transport integration.

The PTEs are co-signatories for the franchise agreements in their areas. These agreements differ in several key respects from franchise agreements which do not involve PTEs:

- PTE Passenger Service Requirements (PSRs) are generally more prescriptive. Whilst tightly specified PSRs can provide important protection to passengers against cuts in services, they can also prevent changes which would benefit passengers overall;
- four of the six PTEs retain revenue risk, which largely removes incentives on operators to improve services; and
- all PTEs operate input based Service Quality Incentive Regimes (SQUIRE) instead of focusing on output based measures, leading to bureaucratic micromanagement.

The PTE franchise agreements also blur responsibilities between the SRA and the PTEs. As they require all co-

signatories to approve contractual changes, a PTE can veto changes in areas which are not its prime responsibility.

As part of refranchising the SRA is particularly concerned to achieve the successful replacement of the current Central Trains franchise and to create a new, strong Northern franchise. The West Midlands PTE will be a co-signatory of the Central agreement and the remaining five English PTEs of the Northern franchise.

The SRA wants to have consistent franchise agreements in PTE and non PTE areas. This means more flexible PSRs, transfer of revenue risk to the operator and output based quality measures. To ensure clarity of responsibilities, under the replacement franchise agreements, PTEs' rights should only extend to the services they specify. The PTEs and the SRA will then each be better positioned to focus on their main responsibilities.

The SRA will seek agreement of the PTEs to this approach before proceeding with the replacement of the PTE franchises. Subject to those discussions, this new approach aspires to deliver a better deal to passengers and secure best value for money in line with Government policy.

section 'Devolved Franchises' below) are far more costly to the public purse than the intercity services on strategic routes or the London commuters lines.

At the time of privatisation, an outgoing Government desperate to complete the process before the 1997 election acceded to virtually every PTE demand. The result is some very arthritic timetabling, poor use of capacity and high cost. The SRA has initiated a process of review (see Box above) and, where possible, amendment which will occupy a fair part of 2001. Thereafter, hopefully, the Central and Northern franchises can be put out for bidding, with new franchises fully in place by 2003/04.

A PTE has to develop a well balanced supply of local transport, some of which operates or will come to operate over track formerly owned and operated by British Rail. The SRA is committed to working with each PTE to optimise the mix and use of heavy and light rail assets, and is in fact leading capacity studies around the Birmingham and Manchester hubs.

Finally, a third (fairly) common denominator of these PTE franchises is metropolitan congestion – Leeds, Birmingham and Manchester are all already benefiting from expensive Railtrack schemes to ease bottlenecks and will need much more investment to increase capacity. The Sheffield and Newcastle areas will also need investment.

The 'Devolved' franchises

The SSRA took the initiative in developing the proposed Wales & Borders franchise. The ScotRail franchise is a first-generation franchise expiring in April 2004.

The constitutional arrangements under devolution require the SRA to franchise and subsidise heavy rail services in Wales, but from 1 April 2001 the Scottish Executive will take the ScotRail franchise onto its budget.

Under the Transport Act 2000, Scottish Ministers acquired the right to give directions as well as

Part 3: **The agenda** Refranchising continued

guidance to the SRA in respect of all national network rail services starting and finishing within Scotland as well as sleeper services. They can also give advice on services to and from England on the ECML and WCML. Thus any future ScotRail franchise (which includes the sleeper services) will be specified by Scottish Ministers, but the SRA will negotiate and administer it as its agent. Discussions with the Strathclyde PTE will be the responsibility of the Scottish Executive.

The Scottish Executive has recently published its consultation document on the Passenger Railway in Scotland. The Executive's main transport aim is to attract more people to public transport through increased investment in better rolling stock, matched with a programme of infrastructure improvements to allow for increased capacity and optimum performance. This focus on investment mirrors the SRA's own investment-led strategy.

The existing ScotRail, Cardiff Valleys and the Welsh part of Wales & West are all heavily subsidised and it is to be expected that the future provision of services will need similar or larger subsidies.

Transport for London

In July 2000 TfL came into existence, chaired by the Mayor. It will bring London's relationship with the national rail network under one roof with the London Underground, bus franchising, road traffic management and light rail. Under the Greater London Authority Act 1999, the Mayor has similar authority in heavy rail to Scottish Ministers – he can give instructions as well as guidance to the SRA. The SRA, however, can reject such instructions and guidance if they:

- would interfere unacceptably with national services into and out of London; or
- would increase the cost of services to the (national) taxpayer.

In short, the SRA must work closely with TfL and the Mayor, and this is happening. The proposed disposition of London commuter and airport service franchises has been discussed above. In all cases except the early Chiltern franchise replacement far advanced

before TfL was formed, the London administration has been or will be able to make its views known. There has also been consultation with LUL and TfL about Thameslink 2000.

Particular areas of co-operation are the development of through-rail services under London, orbital rail services within London, and services to London's three great airports, Heathrow, Gatwick and Stansted, handling over 100 million passengers a year.

In discussion with TfL, the SRA has developed proposals for optimising use of the extended East London Line. At present this short line through the famous Brunel Tunnel under the Thames at Wapping runs only from Shoreditch to New Cross and New Cross Gate and is operated by LUL. Subject to the outcome of the recent TWA Inquiry on the East London Line, it should be extended over both new and existing rail lines to run north to Highbury and Willesden and to Croydon in the South. This will make it possible to develop the "Orbirail" surface franchise (detailed below).

Also with TfL participation, the SRA has given Ministers an 'East-West' study, picking up the long-awaited CrossRail and Chelsea-Hackney propositions. As the SRA sees these, they could be Regional Metros running within the M25, underground in the central area, but well connected at every end to the national network. The exact route and connections are under study, but one line might come from beyond Heathrow, going underground west of Paddington to surface in the Bethnal Green area and connect to both lines in the Lea Valley and Thames Gateway areas; the other could run from the Wimbledon area through King's Cross to the same Bethnal Green area – it would be likely to be built later than the West London to Bethnal Green link.

These three 'under London' routes would complement both the Thameslink route, which has gone in less than 15 years from "there'll never be enough demand" to the most congested service in London, and the West London and North London lines. The former, across a bridge at Battersea, needs to be upgraded; the latter needs to be redeveloped to carry rapid passenger growth and a reshaped and

probably growing level of freight.

These four routes under London plus the orbital service routes form the SRA's long-term vision for London to reduce the scarcely supportable pressure on its main commuter termini and the shortage of rail capacity, above or below ground, within London. If commuters and visitors to central London can change trains west of Paddington, in south London, or east and north of King's Cross and Liverpool Street – capacity can be increased for both London residents and commuters. Congestion can be eased.

Turning to orbital rail services in London, several indications have already been given:

- first: the SRA, TfL, LTUC, local boroughs and rail operators have been pushing ahead with a South London Metro concept – in which co-operation between TOCs would produce 'metro' frequencies (four, five or six an hour) in services running through South London, regardless of operator, replicating as far as possible what is available in the inner zones of north London.
- second: the SRA has proposed to TfL the creation of an 'Orbirail franchise' once the East London Line extensions go ahead. It would not be possible to run a 'Circle Line' but passengers would be able to change easily between West, North and East London lines north of the Thames and the West and East London lines south of the river. Commuting around the centre of London and into Docklands would be facilitated.

The long-term franchises

As related already, two of the seven long-term first-generation franchises (MML and c2c Rail) have been upgraded in negotiations with the Franchising Director.

The SRA has been in negotiation with First Group:

- first over the arrangements for transition between its loss-making North West franchise on the one hand and the new Northern franchise on the other, of which its routes will form part; and
- second, over the early termination and replacement of its profitable Great Eastern franchise.

Next, it hopes to upgrade further the services offered

under the Great Western franchise subject to the right deal being negotiable. If it is, the term can be lengthened to 2008, as was MML's.

Discussions continue with Connex about aspects of its long-term South Eastern franchise. GOVIA's success in winning the new South Central franchise put an end to plans for unifying the South Central and South Eastern franchises, but other improvements are desired. When Phase 2 of the Channel Tunnel Rail Link goes ahead, Connex are entitled to first refusal of the franchised operation of high speed commuter services from Ashford and Ebbsfleet to Stratford, the East London hub, and St. Pancras. This would lead to adjustments in other Kent services, requiring negotiation between the SRA and Connex in the course of which the long-term South East franchise may be upgraded.

Micro franchises and Community Rail Partnerships

The SRA has adopted a proactive approach to rural railways, designed to bring new life and more passengers to these routes, focusing on local input to promote, market and develop services that have been neglected for years. In particular, local authorities have been encouraged to work with TOCs through Community Rail Partnerships, which add value by providing dedicated local support in promoting rural lines and developing the rail network in the wider tourist market. Ridership has increased on these routes, and some have developed innovative schemes to encourage sustainable tourism, such as access to Dartmoor, linking with the wider objectives of the Government's Rural White Paper. The SRA supports the Association of Community Rail Partnerships to encourage and extend the scope of these partnerships.

In consultation with the Rail Passengers Council and local interests, the SRA has devoted attention to the possibility of small, local 'micro franchises'. These may be appropriate for minor branch lines off a franchised main line, involving local interests under the protection of a support agreement with a 'Big Brother' franchise operator – subject to safeguards relating to safety, service reliability, training and network benefits being in place. As a pathfinder, the

Part 3: **The agenda** Refranchising continued

SRA has invited approaches from interested parties for branch lines linking with the Great Western Main Line through Cornwall.

This is a concept not yet certain to go ahead, but it may be appropriate in two or three more parts of Britain. Meanwhile, the existing Island Line franchise on the Isle of Wight is a special situation. The line is only 13 kilometres long from Ryde Pier and uses retired LUL stock. Plans to re-equip it were to be linked to transferring the line to the control of the Isle of Wight Council as franchisor. It is now more likely that it could prosper as a microfranchise with the benefits of both greater local involvement while retaining its role as part of the national rail network.

Rolling stock

The SRA has three specific objectives with regard to rolling stock:

- to speed up the delivery of rolling stock which has already been built but has not yet entered service;
- to increase the level of investment in new and refurbished rolling stock; and
- to provide a framework that will permit long term planning by manufacturers and suppliers, to encourage efficiency in the supply chain.

Since privatisation over £2.5 billion of new passenger rolling stock has been ordered and financed by the private sector, comprising some 2,500 new vehicles. In Part 1, reference was made to a “crisis” which “became apparent in the programmes to introduce new rolling stock.” The result has been that the new trains take a long time to actually enter service and when they finally do they cause huge inconvenience by frequently needing maintenance.

The SRA has been playing its part in trying to resolve these problems. Following on from earlier work led by the SRA, as part of the Industry Review the SRA has set up a cross industry Working Group to develop the mechanics for ensuring rapid acceptance of reliable trains onto the network. This Group has encouraged more cooperative working between all the parties involved and the SRA expects to see further improvements in the process as the Group takes forward its work.

Each new franchise negotiated to date looks forward to both renewing and augmenting its rolling stock in line with rising passenger volumes and expectations. In very round numbers the total ‘park’ of 10,000 vehicles will need to be refurbished or replaced over the next decade or so. Some of it, such as the Mark 1 slam door rolling stock dating back to the early 1960s and used on routes South of the Thames will need to be replaced very soon. The SRA is playing an active role in this, calling for tenders to replace 1,500 Mark 1 vehicles, unless new franchisees move quickly to do so. In the process it has taken steps to widen the list of potential suppliers and has engaged in dialogue with Railtrack.

The major investment programme in new and refurbished trains will enable suppliers to plan ahead. The new build programme alone could be worth £5-6 billion, a huge potential market for suppliers who can deliver the necessary quality and reliability. But the recent problems, of whatever origin, will need to be overcome if the process of bringing these new trains into service is not to bring the network to a halt, notably south of the Thames as Health and Safety regulations require the removal of Mark 1 stock by the end of 2004.

Conclusion

This chapter has offered a tour d’horizon of prospective future passenger franchises. Competitive bidding has proved its worth and will continue; the generation of ideas upward from local interests and users, via bidders or direct, likewise. Even excluding the PTE and devolved franchises, progress to date has been slower than the SSRA wished. The SRA will seek to accelerate it through 2001.

Consultation has been constant and effective with the Rail Passengers Council and its Regional Committees, with the Scottish Executive and National Assembly for Wales, with Transport for London, with the PTEs and other less formally structured local authority transport interests. The SSRA’s participation in and, in key cases, leadership of corridor, hub and local transport studies has played an important part. The SRA inherits a strong web of interactive development of proposals. It will continue in this manner rather than decree some new network of services into existence.

Improving the accessibility of the network

The SRA has as a priority the need to improve rail services by reducing the barriers to travel for all sections of the community. This role extends not only to access for disabled people, but also includes access to information and provision of facilities for passengers whose disabilities are not readily apparent to others, such as deafness, failing eyesight and physical impairment. In this role the SRA works closely with the Government's Disabled Persons' Transport Advisory Committee (DPTAC).

A key aspect is the Disability Discrimination Act 1995 (DDA), which is designed to promote accessibility of the built environment by all; it reflects a major change in social attitudes towards disability.

The DDA sets requirements for access to stations and other transport infrastructure. Since 1 October 1999, train and station operators have been obliged to take reasonable steps to change practices, policies and procedures which make it impossible or unreasonably difficult for disabled people to use a service. Further requirements will come into force in 2004 relating to physical features, which make it difficult for disabled people to use a service. The Act does not precisely define the "reasonable steps" that must be taken and ultimately it is expected that this will only be settled by case law.

Specific regulations in relation to rolling stock have been made under the DDA. The Rail Vehicle Accessibility Regulations set mandatory standards for all new rolling stock that entered service after 1 January 1999. Requirements include provision of toilets for disabled people, and for information about the journey to be provided by audio and visual means.

The SRA will ensure that increased investment from franchising benefits all passengers, both in improved physical facilities and improved quality of service. Amongst the consumer protection responsibilities that the SRA has taken over from the Regulator is the responsibility for the national Code of Practice for Disabled Passengers. The Code is currently being revised and the SRA and the Regulator have worked closely together on it.

Distinct from and additional to provision for disabled passengers, the SRA is also working to improve personal security on and around railway stations. Passengers must not feel threatened when gaining access to rail services.

Part 3: **The agenda**

Freight

Introduction

With the formal establishment of the SRA, ownership of freight development strategy has passed from DETR to it. Freight barely registered as an OPRAF concern under the 1993 Act.

During the first half of 2000, however, the SSRA played a leading role in developing the rail freight components of the 10 Year Plan as outlined in the Box and since then has been working to flesh out strategy and tactics in preparation for the transfer.

Between March 1996 and March 2000, under the 1993 Act, the Department of Transport and subsequently DETR have provided:

- £46 million in Freight Facilities Grants (FFG) to 44 projects; and
- £94 million in Track Access Grants (TAG) for freight services under two headings:
 - to Freightliner
 - under project-by-project approvals.

In the 10 Year Plan, the Government has pledged that support to rail freight will rise to £3.4 billion over ten years covering investment in the network and the expanded grants schemes.

Rail freight renaissance

Around 1960, freight movements exceeded passenger trains on the BR network. Motorways, improved roads, more powerful heavy goods vehicles and containerisation facilitated the decimation of all but trainload freight by rail over the following generation, to 1995, when rail carried less than 6% of UK freight – reckoned by tonne-kms. Two thirds of what remained was bulk, usually trainload freight – mostly coal but also steel, scrap, aggregates and chemicals, with the rest being carried in containers. BR's denigratory attitude to rail freight accelerated the decline.

But despite the decline in coal mining and coal-fired power generation, and in steel and heavy industry, privatised rail has captured more bulk freight as part of the 46% increase in tonne kms in the past five and a half years. No mean achievement.

The 10 Year Plan calls for an 80% increase in tonne kms by 2010, meaning about 33 billion tonne-kms,

The 10 Year Plan and rail freight

The 10 Year Plan highlighted the extent to which the economy depends on efficient distribution and the importance of tackling the growth in road congestion and reducing emissions from road transport. Rail freight was given a key role in reducing dependence on road freight.

The Plan committed the Government to increase the funding available for both capital and revenue support for freight. It said that the SRA will work with Railtrack to invest in new freight infrastructure, develop freight priority routes, eliminate bottlenecks, enable larger containers to be carried from the deep sea ports and the Channel Tunnel and to encourage innovation.

The Plan announced the launch of a new freight grant scheme by the SRA as part of the overall financing package.

which will compare well with the 13 billion immediately prior to privatisation. Since that Plan was prepared, the Government has removed the ban on 44-tonne lorries and retreated from the diesel fuel duty escalator, two important policy changes working against rail freight in its contest with road freight.

Bulk freight will only form part of this increase. To deliver the 10 Year Plan growth objective, rail freight needs to be more competitive against road freight in the all important multi-modal sector. Rail freight must be more efficient, punctual and economical in its services to the logistics industry. In turn this will require increased capacity on key routes such as the WCML which is used by over 40% of UK freight movements, or a direct route between Felixstowe (the UK's premier container port), the West Midlands and North West, or Southampton to the West Midlands and so on. De-bottlenecking and enhancement of diversionary routes to the strategic passenger routes must also get priority.

A second objective in the infrastructure of a viable rail freight sector, integrated into Britain's commercial logistics system for domestic traffic, is the provision of adequate, suitably located, efficiently operated intermodal transfer facilities, both open access and dedicated. When enough such facilities permit

economically priced and efficient transfer of freight between road (or river or air) and rail along key routes, there will be the prospect of a viable, wholly domestic non-bulk rail freight sector. Until then, bulk freight and cross-Channel and deep-sea freight will constitute most of UK rail freight.

There is much to do, and while competition tends to herald price-cutting, it is also likely to prove the most effective driver of the advances in technology and the growth of a commercial customer service culture so badly needed by this industry. The SRA's task must be to support the Regulator in procuring competitive (often marginal cost) prices for freight from Railtrack, and to assist the development of both competition and investment in rail freight. Not an easy task, but the SRA's role in order to deliver the 10 Year Plan.

Constraints on growth

Looking ahead over the next ten years, without further action rail freight would face severe constraints because of:

Lack of network capacity

Passenger and freight traffic have risen strongly since privatisation. Increasingly, passenger trains of various types will be competing with freight for space. The problem is serious and will be most acute where passenger and freight growth are concentrated on the same routes, for example on the busy WCML. In February 2001, SRA announced plans to set up two Project Development Groups with Railtrack and other investing partners to provide increased capacity and structural clearances to carry maritime containers from the major ports at Felixstowe and Southampton. The upgrades will provide a more direct alternative for container trains from the ports to the West Midlands, the North West and Scotland, as well as providing relief from the pressure of juggernauts on the A14 and A34.

Constraints on network capability

The current restricted loading gauge means 'piggyback trailers', larger swapbody sizes and the bigger maritime containers cannot be carried on most routes. Current maintenance practice means that sections of railway are regularly closed at night and

weekends with no alternative route available – while customers increasingly demand 24 hour access. Train length and weight constraints prevent some freight movements being competitive, while journey times and speeds are unattractive to certain market sectors.

Availability of sites for terminals

Modern freight interchanges need large sites and do not always please local authorities and residents. Land is scarce in the South East, where it is likely to be needed most, and there is considerable competition for land use.

The SRA's approach

The SRA's approach to its statutory purpose to promote the use of the railway network for the carriage of goods will be to tackle the constraints on rail freight growth by:

Enhancing the rail network: to increase the capacity available for freight trains on the key freight arteries, at an appropriate loading gauge, and to improve reliability;

Facilitating a significant increase in the number of interchanges: to connect more customers directly to the rail network and facilitate the transfer of goods from road to rail; and

Increasing funding and introducing new funding mechanisms: to provide support to rail freight in the most effective and efficient way and encourage the development of a more competitive rail freight industry.

The SRA will work closely with the Regulator, in particular on the charging regime for rail freight.

Enhancing the freight network

The SRA's plans for the freight network are based on the following requirements:

Capacity

Freight requirements are being built into the SRA's plans for capacity enhancement through the refranchising programme and major route upgrades. In some cases specific schemes will be developed to tackle bottlenecks affecting freight, in other cases conflicts may be resolved by developing alternative freight routes.

Part 3: **The agenda** Freight continued

Loading gauge

The loading gauge on key freight routes needs to be enhanced. For example, routes between the ports and the main inland terminals must be able to accommodate larger maritime containers on standard wagons, if the market is not to drift away from rail as container sizes increase.

Train speeds, weight and length

The network should, over time, move towards a position where the core network can accommodate longer trains (of 775m length) running as far as possible at their maximum permitted speeds. Freight train speeds should rise in the future with technological developments and as an increasing number of trains carry non-bulk rather than bulk cargoes. For niche markets on specific routes the SRA will consider the case for planning for heavier axle loading.

24-hour access and operational resilience

Freight customers wishing to use rail as part of their logistics chain need to have continuous access to the network. Lengthy diversions along slow routes, or cancellations due to engineering works are not acceptable. New approaches could include bi-directional signalling and upgrading alternative routes. This is especially important as part of rebuilding confidence in the railway following post-Hatfield disruption.

Rolling stock

Traditionally rolling stock has been geared towards trainload and bulk services. More flexible systems will help win new markets. The SRA will support developments such as the Continental 'CargoSprinter' – basically a family of vehicles based on an electrical multiple unit/diesel multiple unit concept offering flexibility of formation, ease of link up and separation and flat platforms for containers or swapbodies.

Plans for freight interchanges

Rail freight demand forecasts show that non-bulk traffic will grow significantly. This traffic includes general freight distribution and consumer goods, the customers for which are rarely directly connected to the railway. New freight interchanges are needed, and

it is important that they are open to all freight operators wherever possible. This will help ensure that interchanges play a full part in promoting freight growth by removing potential barriers to competition between operators.

There are about 250 rail freight interchanges of various types currently operational in the UK, many of which would need upgrading to meet modern standards. There are about 20 proposals for new interchanges in various stages of development. They include the LIFE rail freight interchange near Heathrow Airport which is currently the subject of an Inquiry. The SRA strongly supports LIFE because of its potential to deliver modal shift of freight to rail in and around London. While new interchanges are needed most in the South East, interchange capacity is also likely to present a constraint to growth in the West Midlands.

Potential interchanges must have adequate road and rail access and be of sufficient size to accommodate value added services such as warehousing, stockholding, order picking and container repair. There can be significant difficulties in obtaining planning consent for terminals due to local opposition which often arises from inclusion of these activities. Opposition can also stem from objections to traffic on the link roads to the nearest trunk road.

The SRA expects the private sector to provide the necessary interchanges to support growth and does not expect to dictate the location, size or facilities to be provided. Consequently its strategy is to address the constraints to provision of interchanges by the market in the areas of availability of land, land use planning issues and funding.

The SRA's plan for freight interchanges therefore focuses on three areas:

Land

The SRA will focus on the issues surrounding some key sites and intends to:

- safeguard strategic sites already in the 'Railway Land' portfolios;
- inform local authorities and others of the site characteristics suitable for freight interchanges, and their potential to transfer freight from road to rail;

- encourage local authorities to identify potential sites, and to include them in their local transport plans where they have not already done so; and
- provide support at planning inquiries for rail freight sites.

Planning

The SRA is encouraging local authorities to plan with rail freight in mind. The SRA has helped with the revision of PPG13 and is currently participating in the process of drawing up Regional Transport Strategies and Regional Planning Guidance. The aim is to ensure that rail freight plays its full role in each region.

Funding

Operating revenues from interchanges can generally cover costs, but do not usually provide a return on capital. The SRA intends to develop a flexible approach to financial support of interchange projects which may include use of grants, loans or investment linked to forecast or actual throughput as appropriate. Proposals will be developed on a case by case basis depending on the particular circumstances and constraints to development.

Financing the expansion

The 10 Year Plan announced a significant increase in funding for rail freight overall and the SRA is developing a series of options to make best use of it.

The Transport Act 2000 allows the SRA to enter into agreements which include grant provision, payments, loans and guarantees. Funding can be used for general network enhancement, or support for companies, multi-user interchanges and innovation.

The SRA has been given considerable flexibility in the use of these funds and could provide assistance to Railtrack, train operators, customers or intermediaries, depending on the aims for each project.

The SRA has recently completed a consultation to seek stakeholders' views on the most effective way of financing the expansion, taking account of the need to improve quality, increase capacity, provide suitable incentives to operators and Railtrack, and comply with EU rules on State Aid.

The SRA is developing the following options:

Infrastructure support

The SRA proposes to support investment in network infrastructure for freight as well as passengers. As discussed widely in this document, this means a DBFT approach, with completed works added to Railtrack's Regulatory Asset Base. It may involve direct capital grant funding.

Company neutral revenue support

The SRA is developing revenue support schemes for specific classes of traffic which though not commercially sustainable at current volumes, will generate significant public interest benefits as they grow. These might include deep sea container traffic, wagonload network services, and domestic intermodal traffic. In all cases support could be payable against traffic moved at pre-advised rates. These may be set for specific pairs of origins and destinations or on mileage bands.

Company specific FFG and TAG

The SRA recognises the limitations of the current grant system. The consultation invited views on possible reforms and the SRA intends to relaunch the schemes shortly.

Interchange support

The SRA could support the development of strategic interchanges, through grants, loans and other forms of long term investment where the market fails to deliver by itself.

Innovation support

Building on the success of the SRA's freight competition, the SRA intends to set up a modest annual grant budget to encourage projects which demonstrate technical or commercial innovation. Some of this money will be targeted at international traffic to encourage technical harmonisation and interoperability.

Part 3: **The agenda** continued

Infrastructure enhancement

Introduction

As already related, there was a stand-off for most of 2000 between the SSRA's view of network enhancement needs and alternative views, put forward by Railtrack under the leadership of its then Chief Executive, that Railtrack could carry out the enhancement programme on its own.

Early in 2000, the SSRA Chairman formally confirmed his earlier advice that the problems of enhancing the network to carry steadily increasing traffic were too large for Railtrack to master with its own financial and project management resources.

The issue was interwoven with the Regulator's quinquennial charges review, due to be completed in July, but in the event delayed until late October. During those months, Railtrack's Chief Executive continued to put forward to the Regulator, to Ministers, officials and financial markets – as well as to the SSRA – his view that enhancement must be left to Railtrack if on the network.

Other considerations entered the discussion during the year, among them;

- the Government published its 10 Year Plan for Transport in July, announcing a Rail Modernisation Fund (RMF) to be managed by the SRA and making clear the Plan's requirement for substantial private sector investment;
- Railtrack's relations with the Regulator deteriorated, though at the same time the Regulator's draft (July) and final (October) conclusions on Railtrack's revenue entitlements awarded the infrastructure manager a substantial increase in income for 2001-06 (more than £2 billion over five years);
- Railtrack had to contend with deteriorating views of its project management capabilities as the problems of the WCML renewal and upgrade programme were revealed.

The SSRA's view remained consistent – Railtrack could not master what came to be called “its second business” in addition to the core business of Operation, Maintenance and (incremental) Renewal (OMR) of the network. It had been privatised with a duty to master that core business alone.

Fulfilment of that duty was to be funded by track

Railtrack's enhancement investment forecasts

	<i>Enhancement (£ million)</i>
March 1997 NMS	1,940
March 1998 NMS	3,190
March 1999 NMS	10,700
March 2000 NMS	26,823

access charges (paid by TOCs and FOCs) and other 'single till' revenues (property, retail, etc), all under the supervision and control of the Regulator. Thus at privatisation, explicitly or implicitly, Railtrack was set up to be treated as a regulated utility, like water or gas pipes or electricity wires.

At that time, rail was not perceived as very significantly more risky than, say, water. It is also material to note that the likely ratio of new capital investment, earning no return until commissioned into the Regulatory Asset Base (RAB), did not – in 1995 – seem out of proportion to the rather limited size of that RAB. Thus, again, rail met an implicit criterion of a regulated utility – not too much (higher) project risk in relation to normal utility (OMR) risk.

As already stated, these theses of privatisation have been very thoroughly confounded since 1995. Growth in usage, by both passengers and freight, and steadily rising forecasts of further growth, have modified severely the limited, utility-type image of Railtrack at privatisation. Railtrack recognised this was happening in the estimates each year in its Network Management Statement (NMS) of enhancement investment required (see Box above).

The debate grew urgent when, in the early spring of 2000, Railtrack published what it described as a “menu” for the enhancement of the network and estimated a total of £52 billion could be spent on the renewal, replacement and enhancement of the network over the coming decade.

Through the Summer that debate was seen by the SSRA as demanding the adoption by everyone from Ministers to marginal investors of the principle of a Public Private Partnership, deploying investment funds from both sectors to deliver a safer, better and bigger railway system.

Railtrack, however, led by its former Chief Executive, maintained that the solution lay in a more and more generous settlement from the then-current Regulator's review of its charges. A 'loose' settlement, it was said, would enable Railtrack to fund all or most of the necessary capital from global markets. Railtrack's proposition never fully explored the nature and allocation of risk in the major projects end of its activities.

The debate, which would have had to end after the Regulator's final conclusions last October, was brought to a sudden stop in the chaotic aftermath of the Hatfield crash.

There is now a consensus that Railtrack, which must give priority to its core OMR business, does not have sufficient financial and management capability, simultaneously to monopolise its second business which the SRA describes as its participation in the DBFT (Design, Building, Financing and Transfer) of projects to replace and/or enhance key segments of the network. That consensus was confirmed at a recent meeting between Sir Alastair Morton and the Railtrack Board. In the course of that discussion, the SRA Chairman told Railtrack's Board what he perceived as the distant objective – perhaps late in the current decade. The 'Transfer' feature of the DBFT 'second business' should mean primarily the refinancing upon completion of enhancement and major replacement projects, enabling the recycling of project risk capital available from the market place and the reduction of capital costs once project risks are behind. But, he said, he hoped it would also come to mean the gathering onto Railtrack's Asset Base of those refinanced assets. That would bring the growth of the utility Railtrack to be more comparable to water and other utilities, and over time bring Railtrack's RAB up to a scale where it could carry a sufficient ongoing enhancement programme, by then smaller in proportion to the whole.

In sum, the SRA's Chairman expressed the 'dream' that over perhaps 15 years from the segregation of Railtrack's assets from BR, the company may be grown via the proposed partnership route into the utility envisaged by the privatisation structure, also

able to meet the challenges posed by growing demand for rail services.

Railtrack's two businesses

The SRA's immediate Strategic Agenda in this context, therefore, is the development of its partnership with Railtrack.

The core business

As the consequences of Hatfield have demonstrated, Railtrack's first priority is to master its core OMR business, meeting the needs of the operators over the network to run their services. The compensation payable to TOCs and the Regulator's enquiries into the delivery of routine maintenance during this crisis are amply sufficient signals.

The SRA is not a day to day player in that drama, except, under preset rules of engagement, as the principal funder apart from farebox revenues. The SRA has to be deeply concerned however with the content, quality and evolution of the relationships between the parties to the operation of the network. It will have a planning and facilitating role in the regulated core business.

The second business

As the SRA has recently reaffirmed to Railtrack, the replacement and/or enhancement of key segments of the network cannot be put on hold, and as already stated in Part 2 of this document, must be addressed between the SRA and Railtrack on two levels:

- the lower or project level; and
- the higher or structural level.

The lower level has to be addressed within the regulatory framework as established or amended by legislation or otherwise from time to time. The higher level discussions will lead to consultation with the Regulator about the evolution of that framework or of Railtrack's group structure within the framework. Will it be the regulated Railtrack plc which participates in DBFT projects or the unregulated holding company Railtrack Group plc, or some other company in the group?

The SRA's role is defined by its statutory duty to encourage the growth of the rail industry, and by the

Part 3: **The agenda** Infrastructure enhancement continued

ability granted to it by statute to fund and invest in projects, companies, etc. As the public partner in a Public Private Partnership with Railtrack, where the latter will be the operator, the SRA will be an investor and others – both project managers and investors – can participate.

In pursuit of that, the SRA will work with Railtrack to identify, prioritise, prepare and put out to competitive tender the enhancement projects that will increase capacity and improve safety and performance on the network. The SRA and Railtrack have agreed that this process be supervised by a Joint Enhancement Committee (JEC – 50/50 SRA/Railtrack) chaired by the SRA in view of its strategic responsibilities. As and when the JEC establishes a consensus of the partners, after due consultation with others interested, that a given project should go ahead, a Project Development Group (PDG) for that project or group of related projects will be established.

A PDG may also have as members others, such as the dominant TOC on a route, who have a substantial interest in the funding and execution of the project and are expected to shoulder risk. Quite early on, a view will need to be reached whether the project is to be:

- managed by Railtrack, with or without seconded personnel to support it;
- managed by another interested party;
- managed by a Project Management Contractor (PMC) taking risk in the delivery of a more or less turnkey project.

Prior to Hatfield, Railtrack held back from detailed talks. The SRA and Railtrack are now embarking on those talks to establish policy guidelines for the JEC. In the SRA's view, efficient project delivery and clarity of responsibility for delivery will be paramount. Contracts for supply and construction will be contested through public tender:

- either at the level of supply of goods and services;
- or at the level of the contract to design and build the project.

This 'contestability' of infrastructure supply has received renewed publicity recently. It is now established as a *sine qua non*, the necessary

precondition to assure sources of funding, whether public or private sector, that best life-of-project value for money (not the same as lowest cost of construction) will be the basis for decisions to go ahead with projects.

It will be for the relevant PDG to supervise the tendering process conducted by the project manager on behalf of the sponsors. That will be the final act of the PDG in any given project – whoever is managing the project will take it forward and the SRA will step back to become investor partner, with rights to information and audit. The project will be priced by the contested process and the value to be added to the RAB upon completion, or by another charging mechanism, determined at that time.

It will be for Railtrack or the SRA or the TOCs to initiate and for Railtrack to execute incremental projects that, probably, both enhance and renew minor segments of the network. The "IOS" programme (detailed on page 57) agreed with the SRA is a precursor of that process. The SRA is asked by the Regulator to describe what it wishes to buy, and the IOS programme is financed by Railtrack and remunerated at the standard regulatory return as part of the OMR core business.

Funding the second business

In general Railtrack was expected to fund enhancements and in turn raise finance from its customers (the passenger train and freight operating companies) through Track Access Agreements, direct SRA grant, borrowing and issuing equity.

There is in fact a wide range of alternative models for delivering enhancements, depending on how the elements of each enhancement project – design, build, finance and operate/transfer are blended. What differentiates these alternative approaches is the level of managerial and financial control by third parties and the allocation of risk.

Although the Regulator recognised in his Charges Review that enhancement investment was a strategic objective whose attainment needed to be funded, his settlement was in no sense a guarantee of funding the £8 billion enhancement mentioned, or any other

Rail Passenger Partnership (RPP)

In addition to funding being made available under refranchising and the Rail Modernisation Fund, on a smaller scale, the Rail Passenger Partnership (RPP) process is gathering momentum. The RPP scheme is designed to provide a source of funding for new or enhanced local and regional services. The Government promised over £100 million for it.

Of this sum, £20 million has already been committed, and the SRA is assessing further bids totalling approximately £65 million. The schemes must be ones which cannot be justified on financial grounds alone, but which contribute to the Government's wider objectives for rail, which include modal shift and improved integration with other modes. Potential bidders for RPP funding could include:

- Local authorities and PTEs;
- Private companies including TOCs;
- Consortia promoting public transport projects.

It is these groups which are best placed to identify local transport problems and suggest potential solutions. Schemes awarded RPP funding have included:

- Anglia Crosslink: a new service from Chelmsford to Basingstoke across North London;

- North East: schemes to double the number of services between Sunderland and Hartlepool and increase services between Newcastle and Sunderland;
- Edinburgh Crossrail: a new service from the west of Edinburgh to new stations in the east and south east of the city;
- Sheffield- Hull: providing faster journey times between Sheffield, Doncaster, Goole and Hull and better connections
- Metro: measures to increase capacity on peak hour services to and from Leeds;
- Witham: better interchange ensuring safer, faster more convenient access to the station;
- Vale of Glamorgan: new passenger rail services between Cardiff, Barry and Bridgend and two new stations at Llantwit Major and Rhoose; and
- Corsham: a new station to be constructed.

In March 2000 a fast track scheme was introduced to encourage small-scale proposals seeking support of less than £100,000. Ten such schemes have been awarded RPP funding and further expressions of interest have been received from interested parties, which are currently being appraised.

sum. Railtrack will only be able to fund what it can afford given the market and performance circumstances at the time when projects go ahead. There is considerable scope for greater third party involvement.

Thus in principle the DBFT business will be a project financing business, where the cost of funds and debt/equity ratios will be negotiated. Gradually custom and practice, in the light of success or the absence thereof, will come to guide the approach to funding this huge PPP. The role of TOCs, of risk-sharing project management contractors and of other investors in this business will evolve – but a start has been made.

The essence of this 'new' business for Railtrack and others will be special corporate financing structures for most of the significant projects, whose assets may be transferred (the T of DBFT) to Railtrack's core business upon commissioning, i.e. after final

completion of the project. It is very important to bear in mind that those assets can be refinanced at that transfer – both because they become part of a broad spread of risks on either Railtrack's regulated balance sheet or another's and because the higher 'project' risks (essentially causing time and cost overruns) will be out of the way. There are many precedents. Refinancing will not only reduce Railtrack's operating costs: it will recycle the funds available for projects, notably the SRA's – an important concern.

Meanwhile, during the project period, the SRA may be asked to shoulder risks it could plan to transfer at completion. Its response will be carefully considered.

The Rail Modernisation Fund Introduction

The 10 Year Plan establishes long-term growth and quality targets for the railways programme, to achieve both transport and environmental goals. The SRA

Part 3: **The agenda** Infrastructure enhancement continued

budget under this plan includes some £11 billion of capital expenditure.

Some is committed to grants for the West Coast Route Modernisation; some £7 billion is identified in the Plan as the Rail Modernisation Fund (RMF).

The RMF is a capital budget to be managed by the SRA as the public sector's financial partner in the infrastructure enhancement programme (mostly financed in the private sector). The RMF will overcome constraints on private sector funding, enable the SRA to support joint-venture and project financing schemes in the industry and allow a more robust structure to be put in place for projects supported by the SRA which have difficulty in funding themselves on unsupported commercial terms. Public sector capital can be more patient and less risk averse than private, provided the benefits (both cash and non-cash) establish the value obtained for the money.

How it will work

The RMF will be a lever additional to the SRA's existing support arrangements through franchises. The operating subsidy requirements of a franchisee's business may be met through franchise support payments at the same time as investment financing constraints on enhancement projects in the same business are overcome directly through RMF involvement.

The RMF will be a fund managed by the SRA under the supervision of a dedicated Board which may contain relevant independent directors as well as SRA Board Members. It will have a substantial delegated authority, but particularly large commitments will have to be submitted to Ministers for approval of the SRA's recommendations.

The forms of support offered through the RMF will be tailored to the specific circumstances. RMF equity or grant funding may be used to support front-end spending, i.e. development work. In this way the SRA will influence the priorities and speed of the enhancement programme. RMF support may have to be used to enable some essential projects to go ahead on a committed basis earlier than would have been

the case without it, subject to appropriate safeguards negotiated by the SRA.

What must be clear, however, is that the RMF will not compete with funds available from global capital markets. It must complement and support them, being available where the market fails or is unwilling, with the aim of facilitating and levering in market funding.

What needs to become clear before the SRA can publish a Strategic Plan are the adjustments, as yet unclear, which are likely to be necessary to guidelines for the deployment of the RMF following the substantial weakening in Railtrack's claims to capability in funding enhancements of the network. If the DBFT business were, financially, to be led by a joint venture between Railtrack and the RMF, then if the former is to fund less, the latter, it would seem *prima facie*, would have to fund more and accept a larger share of the project risks. This is unlikely to be an acceptable scenario on the scale the railways require. Work is in hand between the SRA and its advisers to devise partnerships for the SRA which lever private capital into DBFT enhancement alongside the RMF. These concepts will develop further in 2001.

Once PPP projects are developed by the SRA and partners to the point of commitment, it will be possible to assess in each case the scope for introducing other risk-bearing and financing partners from the private sector. In some cases they will play a lead role in the project, with the necessary Railtrack involvement and support as network controller and, usually, co-investor.

These joint ventures and third-party project vehicles will play a key role in the revival and expansion of the network's infrastructure.

In building rail projects which not only have a long life but typically have long lead and construction times, and develop their returns on the investment over many years, there is a complex relationship between project design and delivery risks, the structure of regulated returns, the need for large amounts of capital to fund project work in progress, and the risk and maturity

appetites of project banks and the capital markets. The ability of the SRA to be involved in project funding structures through the RMF will overcome market failures and facilitate efficient and longer term financing structures. At the same time, by helping to develop competition in the provision of infrastructure either between project providers on a DBFT basis, or between suppliers to a project managed by Railtrack or another principal, the SRA/RMF will improve cost transparency and the allocation of risk. This will strengthen the role of the passenger-facing and freight-customer-facing businesses, and of the SRA itself, in setting priorities and controlling costs.

Forms of RMF participation

The RMF may provide: patient debt (i.e. on long maturities and/or with deferred returns); subordinated debt (perhaps with rights of acceleration or conversion into voting equity in case of project difficulties); equity participations to capture upside returns for the public sector and lever in private debt capital, especially during the construction phase; or (in limited circumstances because this form of funding is inefficient) capital grants to private sector projects.

It will be the essence of the two-part approach to infrastructure provision in Britain's rail system – i.e. DBFT enhancement of the OMR core business – that it will be possible to refinance projects upon completion, i.e. when they have been commissioned onto Railtrack's network. Since project risks, one way or another causing cost overrun and/or delayed returns, will be behind at that point, Railtrack core business should be able to refinance projects onto its RAB at lower cost than those needing SRA support during the design and build phase. This will recycle the RMF's capital resources.

Proposals for RMF support, and for the structure of its participation in any particular project, will be assessed against the value for money they offer and the degree to which they will succeed, case by case, in levering in the maximum private sector funding.

Conclusion

This section lays out the SRA's approach to a process to which Railtrack has now agreed in principle. Each step of it, and its detailed policy guidelines, remains to be developed in practice by the partners in one of the biggest PPPs ever planned. The SRA sees this PPP as utterly fundamental to its investment-led strategy.

Part 4 of this document lists a host of projects, large and small. Many readers will study it eagerly, searching for a favourite or local project. The SRA would ask readers not to invest too much emotion in the list. It is more complete where it stems from a replaced or renegotiated franchise, less where the refranchising process has not yet arrived. It has projects from Railtrack's last NMS and projects known to the SRA for a variety of reasons.

Let it serve as a menu and as a consultative document. Railtrack's NMS will take matters forward in a few months, and the SRA's Strategic Plan will go further in the Autumn – so due attention will be paid to responses, queries and submissions.

Part 3: **The agenda** continued:

And finally... developing a further agenda

Over the coming months the SRA will be taking forward its specific agenda in:

- Refranchising;
- Freight development; and
- Infrastructure enhancement.

But it will also be developing its Strategic Agenda on a broader front, on a variety of themes which cut across passengers, freight and infrastructure, including work in the areas of:

- training and skills, where human resources – professional and technical – were depleted in the course of privatisation;
- network and rolling stock technology and operating practice likely to enhance both interoperability with continental networks and general performance;
- more modern, capital intensive construction and maintenance equipment and practices;
- better facilities, equipment, ticketing and information systems for passengers;
- increased and improved project management capability to deliver infrastructure enhancement to time and price;
- environmental issues, maximising the significant overall environmental benefits which increased rail travel will bring; and
- measuring the progress of the SRA and the industry in delivering a safer, better and bigger rail system.

All of these have to be considered within a European framework of railway operation; but more immediately within a framework of greater, easier and more effective integration of Britain's rail system with:

- urban public transport by metro, light rail, tram or bus;
- inter-urban coaches;
- airports, the Channel Tunnel and ferry or container ports;
- walking and cycling facilities; and
- private car usage at either end, whether via commuter station car parks or trunk road parkway stations.

When the SRA produces its first Strategic Plan in the Autumn the context should be very different from today. The post-Hatfield fog should have lifted and Railtrack's future financial position should be clearer; there will be more market information from the franchises being replaced; the RIG which is designed to bind the industry together will have had more time to bed in, and planned initiatives such as the new freight support schemes will be underway. The Strategic Plan will then be able to provide a more definitive statement on network priorities, a more broadly based strategic approach and more financial information, building on the evolving public private partnership which will underpin the whole approach.

the
schemes

Part 4: **The schemes**

The scheme list

Introduction

The SRA has identified a range of investments, which should be considered carefully, for the development of the rail network. These draw on a variety of sources. This investment menu will evolve over time. New ideas will emerge, for example through the Multi Modal Study programme and RTSS. Similarly the Scottish Executive is still developing its requirements.

Over the next few months the SRA will discuss its list in more detail with Railtrack, operators and others with a particular interest in it. The SRA expects Railtrack's 2001 NMS to set out the preliminary results of that work and that the SRA's first full Strategic Plan later this year will develop the order in which the programmes can be implemented and the process for implementation. As discussed elsewhere in this document, there will be PDGs (Project Development Groups) in place for prioritised projects, routes or hubs. In addition, and this is important, the next nine months should yield a lot more selection and definition of projects as franchise replacement negotiations advance.

Value for money and practicality

The practicality and value for money offered by each programme must be tested, and the leverage obtained by the use of SRA funds must be optimised. The programmes must be resourced over time – which in terms of available management and skilled resources may prove a problem – and must manage overall disruption on the national rail network. In practice, there are limits on the number of possessions that can be taken on each part of the network, and on the network as a whole, if a reasonably robust timetable is to be delivered. Statutory consents, where needed, must also be obtained, in many cases through Transport and Works Act proceedings.

The SRA does not therefore commit to the full list of programmes identified in this list, but does believe that it is important for Government, the industry and its suppliers to be aware of the scale of the agenda that may eventuate. They must take the necessary steps to gear up the substantial financial and managerial resources needed.

Building up the SRA's infrastructure investment agenda

Structure of the infrastructure agenda

The preliminary infrastructure investment agenda is presented in the attached tables. The tables are organised into seven sections. This classification in part follows the structure of the new delivery directorates that the SRA has put in place, and covers:

- Safety;
- Freight;
- Strategic Routes;
- London, covering principally projects within or mainly affecting the Mayor's territory;
- South East Region, covering principally projects in the region as a whole outside London;
- Regional Networks, covering remaining local and regional services; and
- Regional Hubs, covering the main metropolitan areas outside London.

Within each of these seven sections the information is then presented by:

Programme: the main building block of the tables is the programme, which is in turn made up of a group of projects.

Scope of the programme: this gives an indication of the size of the programme in terms of a 'H' (high), 'M' (Medium) and 'L' (Low) grouping.

Main projects: this provides a brief description of the main projects covered by the programme. The level of detail of the description partly reflects how far advanced the project is. A number of projects affect two or more programmes and, in such cases, the link is identified in italics. This means that the same project may appear more than once in the tables.

Goal: the SRA is committed to a safer, better and bigger railway. Different projects contribute to these three goals – safety, performance and growth – to a greater or lesser extent. The 'Goal' column notes the main goals to which the project contributes.

Status: the projects described in the tables are at varying stages of development. Some are already under construction, others are being studied, while some are only possibilities and have not been the subject of any

substantial analysis. This column indicates, in broad terms, the stage of development of each project. Some of the projects which are part of the SRA's IOS programme (see Box on page 57) are also identified where appropriate. Projects within a newly negotiated franchise will be more fully described than those in franchises yet to be negotiated.

Description/comments: a brief outline of each project and its impacts.

Immediacy: this column indicates the level of pressure on the network – how soon the project is likely to be needed. It does not necessarily reflect when a project will actually be started or completed. The tables use four main classifications:

- 1-4 years;
- 4-7 years;
- 7-10 years; and
- 10+ years.

Contribution to 10 Year Plan outcomes: the 10 Year Plan describes the outcomes which DETR expect to be achieved by 2010. This column illustrates which 10 Year Plan outcomes each programme is intended to deliver.

Taking the projects forward

The projects on this list can be taken forward in several different ways:

- through the franchise replacement programme;
- by agreements between train operators and Railtrack, backed by modifications to existing long-term franchise agreements between the SRA and the operators;
- by direct agreements between SRA and Railtrack, leading on into a structured approach, varying case by case, to project management and financing; and
- through RPP applications.

The role of the JEC

By the time of the SRA's first full Strategic Plan later this year we need an initial shared enhancement plan with Railtrack, through the Joint Enhancement Committee (JEC) we are establishing with them. This will be a large task to be carried forward and developed year by year. It will require assessment of the scope, cost and construction feasibility of a huge range of investment projects. It requires discussion with other stakeholders, particularly local authorities, operators and passenger representatives.

Part 4: **The schemes** continued

Strategic Rail Studies

At a number of key pinchpoints, the SRA has set up major long-term studies to identify ways in which capacity can be increased. The purpose of the reviews is to:

- understand how the rail network in a given area or corridor could be developed in support of the anticipated growth in passenger and freight services;
- identify options at a strategic level for addressing capacity constraints; and
- discuss with regional partners the priorities to be progressed.

The studies are working to different timescales and their current status is:

West Midlands: a summary report was published in June 2000. The review identified a range of operating and infrastructure options. Where relevant these have informed the franchise replacement process. Further work is being taken forward by Railtrack on behalf of the SRA to assess the options on key corridors. This work includes the formulation of a freight routing strategy through the West Midlands and an assessment of the options to enhance terminal capacity in central Birmingham.

Greater Manchester: the study is seeking to address four key issues: the role of local and regional rail services; the role of light rail; the use of the capacity offered at the main rail termini in Manchester; the development of services to Manchester

Airport and the need to support the growth in freight traffic. Options to address these issues are being assessed to produce a recommended strategy for the development of the Greater Manchester network.

London East-West study: in November 1999 the Deputy Prime Minister requested that the SRA lead a study to consider the issues and opportunities on an East-West axis through London. The study, completed in December 2000, reviews the case for a Crossrail project and assesses the capacity and track utilisation issues on the Great Western Main Line. The study has been supported by contributions from Transport for London, LUL and Railtrack. A report has been presented to the Minister for Transport. The SRA is awaiting his views on the next steps, but is meanwhile discussing the report with the Mayor and TfL.

High Speed line to the North: in May 2000 the SRA initiated the development of a study for a new high speed link from London to the North of England and Scotland. The backcloth to this study is the perceived future need for additional rail capacity on the North-South axis, and the study is examining the potential case for a new high speed line. The successful contender in the ECML franchise together with the WCML and MML franchisees, will be committed to active participation in this study. The SRA has invited consultants to tender for the next main stage of the study, following preliminary work looking at the costs and benefits of potential corridors.

The SRA's Incremental Output Statement (IOS) Schemes

Experience since privatisation has shown the difficulties in taking forward small-scale improvements to enhance the capability of the network, particularly where the benefits are spread across a number of users. Much of this arose from the fact that the requirement on Railtrack to renew assets in "Modern Equivalent Form" lacked clarity and failed to provide an adequate mechanism for incentivising Railtrack to deliver a steadily-improving network as part of its underlying development activity.

Consequently, during the summer of 1999 the SSRA brought together passenger and freight train operators, PTEs, the Scottish Executive and the National Assembly for Wales in a series of workshops. Ideas for a number of improvements to the network capable of delivering more trains, improved journey times or additional operational flexibility were aired and discussed in a very constructive framework. These initial ideas were then explored with Railtrack to assess their feasibility.

On the basis of the feedback from Railtrack, further

discussions with train operators and a preliminary evaluation of the likely benefits, the SSRA was able to provide Railtrack with a draft specification of the enhancements – known as the IOS (Incremental Output Statement) schemes – which it wished to see delivered as part of the baseline for the next control period. This draft specification was included as part of the Regulator's December 1999 Provisional Conclusions and reported on by Railtrack as part of its NMS 2000.

Continuing detailed development work by Railtrack, discussions with stakeholders and assessment of the projects against the SRA's criteria have enabled the SRA to identify a shortlist of some 120 track and signalling projects to be developed further for potential inclusion as part of the baseline for an improving railway network over the next five years, subject to confirmation of prices by Railtrack.

In parallel, through a similar process, the SSRA has also been developing with Railtrack, train operators and funders a programme to deliver a baseline of modern facilities at stations.

Part 4: **The schemes** continued

Safety

Programme	Scope	Main projects	Criteria	Status	Description/comments	Contribution to 10 Year Plan outcomes
Safety	L	TPWS fitment	Safety	Committed	Implementation of statutory requirement to fit Train Protection Warning System on the rail network by the end of 2003	<ul style="list-style-type: none"> improving safety
		Uff-Cullen recommendations on train protection systems	Safety	Being studied	SRA will ensure Uff-Cullen recommendations on train protection systems are taken forward and implemented	<ul style="list-style-type: none"> improving safety
		Implementation of Railway Group Safety Plan	Safety	Being studied	Infrastructure investment in addition to enhanced train protection may be needed to fulfill Safety Plan targets	<ul style="list-style-type: none"> improving safety

Freight

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 year plan outcomes
Felixstowe – Nuneaton	M	Overall objective Increasing capacity for freight transport between Felixstowe, the West Midlands and the North	Growth	Feasibility and costing work underway	Creation of a through freight corridor for traffic from the major East Anglian ports to the WCML. The corridor will be able to handle more and longer freight trains, provide faster journey times to enhance freight's competitiveness and be available for traffic 24 hours a day	1-7 years	<ul style="list-style-type: none"> increasing rail's share of the freight market more efficient and competitive freight service taking lorries off the road, contributing to the reduction of road congestion on the A14, A12 and M25 corridors better cross-country network connections better and more reliable services for passengers better links to ports
		Particular projects Increasing capacity at key junctions	Growth	Being studied	Junction and track improvements to permit higher and longer trains through Ely, Peterborough and Leicester. Work would enable some capacity to be released for passenger growth on key routes to and in London (<i>Peterborough also in ECML programme and Leicester also in MML programme in Strategic Routes section</i>)	1-7 years	

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Felixstowe – Nuneaton (ctd.)		Options for upgrade of diversionary routes to allow 24 hour operation	Performance	Being studied	Increasing the quality of service offered to freight customers by permitting 24 hour operation on the Great Eastern, Gospel Oak-Barking and North London routes. Increased capacity to permit more, higher and longer freight trains to operate. Also provides improved access to Tilbury (<i>also in London East-West programme in London section</i>)	1-7 years	
		Gauge enhancements	Growth	Being studied	Increasing the flexibility of the freight network by allowing higher and wider trains to operate	1-4 years	
Southampton – M Birmingham		Overall objective Enhanced through route for freight from the South Coast to the West Midlands	Growth	Feasibility and costing work underway	Increased capacity for more and higher freight trains from Southampton and the South Coast ports to the West Midlands and the North, removing bottlenecks at Reading, Didcot and Birmingham	1-7 years	<ul style="list-style-type: none"> • increasing rail's share of the freight market • more efficient and competitive freight service • taking lorries off the road, contributing to the reduction of road congestion on the A34, M40 and M42 corridors • better cross-country network connections • better and more reliable services for passengers • better links to ports
		Particular projects Cherwell Valley resignalling	Growth	Being studied	Increased capacity for passenger and freight trains between Oxford, Coventry and Birmingham (<i>also in Chiltern programme in South East section</i>)	1-7 years	
		Junction improvements at Reading and Didcot	Growth	Being studied	Increased capacity, by means of grade separated junctions, for passenger and freight trains from the South Coast through these congested junctions in the Thames Valley (<i>also in Great Western programme in Strategic Routes section</i>)	4-7 years	
		Four tracking between Tyseley and Dorridge; related work in Birmingham	Growth	Being studied	Provides more capacity for passenger and freight services and provides ability to divert all freight from New St. Station (<i>also in West Midlands programme in Regional Hubs section</i>)	1-7 years	

Part 4: **The schemes** Freight continued

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Southampton – Birmingham (ctd.)		Gauge enhancements	Growth	Being studied	Increasing the flexibility of the freight network by allowing higher and wider gauge freight trains	1-4 years	
Capacity and flexibility of the core freight network	M	<p>Overall objective</p> <p>Provide a high quality, high capacity national network along key freight routes</p> <p>Principal projects</p> <p>Improved access on East Coast Main Line</p> <p>Improved access to freight terminals in North West and Scotland</p> <p>Improved access between Channel Tunnel and London</p> <p>Improved access to Thamesport</p>	<p>Growth and performance</p> <p>Growth and performance</p> <p>Growth</p> <p>Growth</p>	<p>Development work underway</p> <p>Replacement underway</p> <p>Being studied</p> <p>Being studied</p>	<p>Develop a core freight network with capacity for growth in freight traffic and with gauge clearance to be able to move 9'6" high containers or better. The network will be able to support 750m long trains with freight paths available at commercially attractive times of day, and be open 24 hours a day with diversionary routes available when needed. Two main routes will be Felixstowe-Nuneaton and Southampton Birmingham with other work as part of passenger replacement programmes</p> <p>Ensures key trunk route can be accessed by higher and wider freight trains, with specific capacity for freight on currently underused lines between Peterborough and York (via Lincoln and Selby) and reopened or upgraded lines in Yorkshire and Durham (<i>also in ECML programme in Strategic Routes section</i>)</p> <p>Gauge clearance works on the West Coast Main Line plus routes to key terminals near the route to permit access by higher and wider freight trains (<i>also in Greater Manchester and Merseyside programmes in Regional Hubs section</i>)</p> <p>Provides access for higher and wider freight trains</p> <p>Provides access to Thamesport, Kent for higher and wider freight trains</p>	<p>1-7 years</p> <p>1-7 years</p> <p>1-4 years</p> <p>1-4 years</p>	<ul style="list-style-type: none"> • increasing rail's share of the freight market • more efficient and competitive freight service • taking lorries off the road, contributing to the reduction of road congestion on interurban routes • better links to ports

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Capacity and flexibility of the core freight network (ctd.)		Freight enhancements on Transpennine route	Growth	Being studied	Increasing the flexibility of the freight network by increasing gauge and providing more capacity to provide better links between the Humber and Mersey ports (<i>also in the Transpennine programme in Strategic Routes section</i>)	4-7 years	
Freight interchanges	M	Network of freight interchanges	Growth	Being developed	Interchanges to link road and air networks with rail network need to be improved to improve quality of service to freight customers; new interchanges particularly needed in the South East	1-4 years	<ul style="list-style-type: none"> • increasing rail's share of the freight market • more efficient and competitive freight service
Branch reopenings for freight traffic	M	Reopening of Portbury branch line for freight traffic	Growth	Being built	Reopening of line serving Royal Portbury docks near Bristol; capacity for future passenger use	1-4 years	<ul style="list-style-type: none"> • increasing rail's share of the freight market • more efficient and competitive freight service
		Reinstatement of passenger and freight trains on Stirling-Alloa branch	Growth	Contribution to funding agreed by Scottish Executive	Re-introduction of freight trains over Menstrie branch. Access for coal trains to Longannet and diversionary route from the Forth Bridge. New Stirling – Alloa passenger service (<i>also in Scotland programme in Regional Networks section</i>)	1-4 years	
West Midlands	S	Reopening of line between Stourbridge and Walsall and remodelling of Walsall	Growth	Being studied as part of West Midlands Capacity study	Creates a North East-South West route for freight traffic through Birmingham freeing up capacity for passenger services (<i>also in West Midlands programme in Regional Hubs section</i>)	4-7 years	<ul style="list-style-type: none"> • increasing rail's share of the freight market • more efficient and competitive freight service
New strategic freight route between the South and the North of Britain	L	Possible new freight route between the Channel Tunnel, West Midlands and the North	Growth	Options for new freight route put forward by promoters	Provision of increased capacity for freight trains between the Channel Tunnel, London and the North through provision of a dedicated new line, partly formed from the former Great Central route	10+years	<ul style="list-style-type: none"> • increasing rail's share of the freight market • more efficient and competitive freight service

Part 4: **The schemes** continued

Strategic Routes

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
West Coast Main Line	L	Overall objective					
		Increase in fast line speed and overall route capacity between London and the North West, benefiting passenger and freight services and improving access to airports.	Growth and performance	Railtrack's WCML Upgrade programme being built; enhancements above this programme being considered by SRA	Railtrack Upgrade will increase fast line speeds to 125mph in 2002 and 140mph in 2005, as well as provide additional capacity, including 42 slow line paths per day between London and Crewe. Track improvements at Euston, Willesden and Proof House Jnc. already completed. Enhancements, including improved access to Birmingham, Northampton and Heathrow, under consideration by SRA	1-10 years	<ul style="list-style-type: none"> increasing patronage on intercity lines, contributing to the reduction of road congestion on the M1 and M6 corridors. better cross country network connections increasing reliability and punctuality improving levels of customer satisfaction increasing rail's share of the freight market
		Particular projects					
		Track remodelling at Bletchley and Rugby	Growth and performance	Railtrack committed scheme	Bringing infrastructure up to modern standards and changing junction layouts to improve train performance	1-4 years	
		Track remodelling on approach to Manchester Piccadilly	Growth and performance	Railtrack committed scheme	Remodelling of lines and junctions from Cheadle Hulme to Manchester Piccadilly to increase capacity and improve performance (<i>also in Greater Manchester programme in Regional Hubs section</i>)	1-4 years	
		Removal of many remaining level crossings on the route	Safety	Railtrack committed scheme	Level crossings being removed to permit increases in line speeds to 125mph and above	1-4 years	
		Four tracking of Trent Valley Line between Rugby and Armitage	Growth	Railtrack committed scheme	Provides additional capacity for passenger and freight services; includes improvements to Colwich Jnc. to increase capacity	4-7 years	
Grade separation at Nuneaton	Growth	Railtrack committed scheme	Separates through interurban and freight route between Birmingham and Leicester from fast West Coast services	4-7 years			
		Renewal of track, signalling, power supply and radio network between London and Crewe	Growth and performance	Railtrack committed scheme	Bringing infrastructure up to modern standards and building in reserves for growth	1-7 years	

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
West Coast Main Line (ctd.)		Additional capacity at Watford Jnc. and Crewe stations	Growth	Being studied	Provision of new platforms and, at Watford, new track layout to increase capacity	1-4 years	
		Four tracking of key sections between Coventry and Wolverhampton	Growth	Being examined in the West Mids. Capacity Study	Increases capacity from 11tph to about 19tph in each direction, permitting more local and intercity services to access Birmingham (<i>also in West Midlands programme in Regional Hubs section</i>)	10+ years	
		Connection to permit direct trains to Heathrow Airport	Growth	Being examined by BAA and SRA	New junction and spur in Willesden area to permit new, fast services at 1tph to access Heathrow Airport from Birmingham and Manchester	7-10 years	
		Flyover at Hanslope Junction	Growth and performance	Being studied by SRA	Provides faster journey times to Northampton, improved performance and secures slow line paths for freight (<i>also in Silverlink programme in South East Region section</i>)	4-7 years	
		Provision of increased capacity between Crewe and Manchester, including new western link into Manchester Airport	Growth	Being studied as part of TPE replacement	Additional capacity for local, interurban and intercity services on this congested route. Improves access to Manchester Airport, particularly from Chester and North Wales (<i>also in Transpennine programme and Greater Manchester programme in Regional Hubs section</i>)	4-7 years	
Channel Tunnel Rail Link	L	Overall objective					
		New, fast line linking Channel Tunnel with London	Growth	Railtrack took over programme in 1998	A new, fast line designed for 180mph trains to link the UK into the emerging European high speed rail network	1-4 years	<ul style="list-style-type: none"> increasing patronage on intercity lines, contributing to the reduction of road congestion on the M20 and M2 corridors more frequent services on commuter lines increasing reliability and punctuality increasing levels of customer satisfaction contributing to the regeneration of East Kent, Medway Towns and Thames Gateway
		Particular projects					
		CTRL Stage 1: New line from Channel Tunnel to Fawkham Junction	Growth	Being built	Reduces Eurostar journey times by about 15 minutes when opened in 2003	1-4 years	
		CTRL Stage 1: Works on the existing track between Fawkham Junction and Bickley	Growth	Work starting	Allows services over CTRL Stage 1 to access Waterloo for period until CTRL Stage 2 is open. Improves performance of Connex South Eastern services (<i>also in South Eastern programme in London section</i>)	1-4 years	

Part 4: **The schemes** Strategic Routes continued

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Channel Tunnel Rail link (ctd.)		CTRL Stage 2: New line between North Kent and London.	Growth	Railtrack has option to build	Brings Paris within 2 hours 30 minutes of London and also provides fast access for new Kent services to Central London via Stratford, bringing Ashford within 40 minutes of St. Pancras station. Railtrack has option to build Stage 2; basis for doing this currently under review. Connex has option to operate new Kent services (<i>Kent services also in South Eastern programme in South East section</i>)	4-7 years	
		CTRL Stage 2: Modernised station at St. Pancras and new stations at Stratford and Ebbsfleet	Growth	Railtrack has option to build	Extended and modernised station at St. Pancras with better connections to national rail and tube services; new international station at Stratford and new station for Kent services at Ebbsfleet. St. Pancras Station facilitates Thameslink 2000 programme (<i>also in Thameslink 2000 and Heathrow programmes in London section</i>)	4-7 years	
ECML upgrade	L	Overall objective Increased capacity between London, Yorkshire, Tyneside and Scotland	Growth	Detailed scope being developed with Railtrack	Increased capacity for passenger and freight trains along the entire route. Particular emphasis on improving reliability and reducing overcrowding	1-10 years	<ul style="list-style-type: none"> increasing patronage on intercity lines, contributing to the reduction of road congestion on the M1/A1 corridor providing better cross country connections increasing rail's share of the freight market increasing reliability and punctuality improving levels of customer satisfaction
		Particular projects Leeds Station upgrade: Leeds First	Growth	Railtrack committed scheme – being built	Improves station facilities, provides for future growth in passenger numbers and track capacity at this key regional terminal (<i>also in West Yorkshire programme in Regional Hubs section</i>)	1 year	
		Peterborough remodelling, including additional platforms	Growth	Proposed as part of ECML upgrade	Separation of passenger and freight traffic increases capacity, permitting additional paths for long distance trains (<i>also in Felixstowe – Nuneaton programme in Freight section</i>)	4-7 years	

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
ECML upgrade (ctd)		Reopening of Leamside line in Durham and upgrade of existing diversionary lines in Lincolnshire and Yorkshire	Growth and performance	Proposed as part of ECML upgrade	Provides additional capacity for freight trains and possible new stopping passenger services. Also improves operational resilience by permitting diversions off the main line (<i>also in Capacity and Flexibility programme in Freight section and in Tyne and Wear programme in Regional Hubs section</i>)	4-7 years	
		Power upgrade throughout route, new loops (mainly between Newcastle and Edinburgh) and chords	Growth	Proposed as part of ECML upgrade	Power supplies at present constrain the number of electric trains that can be operated: new power supplies and loops will increase overall capacity	4-7 years	
		Improved station at King's Cross, including new platform	Growth	Proposed as part of ECML upgrade	New "Superhub" at King's Cross/St. Pancras stations to improve interchange including connections to Heathrow; Provision of new "Platform 0" to allow more fast trains to operate to and from King's Cross (<i>also in Heathrow and Thameslink 2000 programmes in London section</i>)	1-4 years	
		Hitchin flyover to relieve bottleneck	Growth and performance	Proposed as part of ECML upgrade	Increases capacity for long-distance traffic by 1tph and provides improved commuter service by relieving long-standing capacity constraint posed by existing flat junction	4-7 years	
		New flyovers at Newark and Doncaster; remodelling at Doncaster	Growth and performance	Proposed as part of ECML upgrade	Increases capacity for long distance services by separating where possible passenger and freight trains; also fast and slow passenger trains (<i>also in Capacity and Flexibility programme in Freight section</i>)	4-7 years	
		Welwyn Viaduct	Growth and performance	Proposed as part of ECML upgrade	Additional two tracks alongside viaduct will remove this well-known two-track bottleneck	7-10 years	
		Stilton Fen four tracking	Growth	Proposed as part of ECML upgrade	Additional capacity for London commuter trains on this two-track section	7-10 years	
		Increasing freight gauge and works to permit longer freight trains	Growth	Proposed as part of ECML upgrade	Increases the flexibility and capacity of the ECML and diversionary routes to cater for freight demand (<i>also in Capacity and Flexibility programme in Freight section</i>)	1-7 years	

Part 4: **The schemes** Strategic Routes continued

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Transpennine	L	Overall objective	Growth	New Transpennine franchise being formed; replacement process underway	Provide enhanced links between key Northern cities, including more capacity in the Manchester area and better services into Manchester Airport	1-10 years	<ul style="list-style-type: none"> • increasing patronage on intercity lines, contributing to the reduction of road congestion on the M62 and M57 corridors • better cross-country network connections • increasing reliability and punctuality • improving levels of customer satisfaction • increasing rail's share of the freight market • contributing to regional regeneration • better links to Manchester Airport
		Major improvement in the railway network in the North of England by providing fast, frequent and high quality services linking Yorkshire, Humberside, Manchester, Liverpool and Manchester Airport					
		Particular projects	Growth	Manchester Capacity study underway; TPE replacement also continuing	Increased capacity in Manchester for enhanced Transpennine services together with capacity for freight services (<i>also in Greater Manchester programme in Regional Hubs section</i>)	4-7 years	
		Manchester area capacity upgrade					
		Manchester Piccadilly redevelopment	Growth	SRA studying options with Railtrack	Redevelopment of Manchester Piccadilly station to provide higher quality environment and to provide a gateway to the 2002 Commonwealth Games (<i>also in Greater Manchester programme in Regional Hubs section</i>)	1-4 years	
		North Transpennine upgrade	Growth	Replacement underway	Additional capacity provision and improved journey times between Leeds and Manchester	4-7 years	
South Transpennine upgrade	Growth	Replacement underway	Additional capacity and improved journey times between Sheffield and Manchester, possibly including reopening of the Woodhead route	7-10 years			
		Improved access and capacity enhancement at Manchester Airport	Growth and performance	Manchester Capacity study and replacement underway	Increased capacity and upgrading of facilities at planned Manchester Airport Ground Transport Interchange. Would permit higher frequency Transpennine Express services as well as a future Western rail link from North Wales and Chester, together with improved reliability (<i>also in WCML programme in Strategic Routes section and Greater Manchester programme in Regional Hubs section</i>)	4-7 years	
		Freight gauge and capacity enhancements	Growth	Replacement underway	Increasing the capacity and flexibility of the freight routes between the Humber and Mersey ports by allowing more and higher gauge freight trains. (<i>also in Capacity and Flexibility programme in Freight section</i>)	4-7 years	

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Great Western Mainline	L	Overall objective					
		Increasing overall route capacity between London and South Wales/South West and raising line-speeds on certain sections	Growth and performance	Not yet put up for replacement: initial ideas only presented here	Improvements to signalling, junctions and track to increase capacity by replacing flat junctions with flyovers, separating freight from passenger trains. Improved stations in particular at Paddington, Reading, Swindon, Bristol and Cardiff	1-10 years	<ul style="list-style-type: none"> increasing patronage on intercity lines, contributing to the reduction of road congestion on the M4, M5 and A303 corridors more frequent commuter services increasing reliability and punctuality improving levels of customer satisfaction increasing rail's share of the freight market better links to Heathrow Airport
		Particular projects					
		Improvements at Paddington Station	Growth and performance	Being developed by Railtrack	Enhanced facilities, including possible new commercial development alongside station; extension and remodelling of suburban platforms to take longer trains and provide capacity	1-4 years	
		Six-tracking Paddington to Airport Junction or possibly Slough	Growth and performance	Being studied through London East-West work	Provides capacity for new services (such as Heathrow – St. Pancras and Crossrail services) and improves operational flexibility (<i>also in Thames programme in London section</i>)	7-10 years	
		Expansion of Reading Station and work to improve separation between fast and slow trains through Reading and Didcot areas	Growth and performance	Virgin Cross Country work underway; other upgrades being studied	Improved track layout for Virgin Cross Country services; in longer term grade separated junctions to separate North-South from East-West traffic. Development of Reading Station as interchange for airport services (<i>also in Cross Country programme in this section and Southampton-Birmingham programme in Freight section</i>)	1-7 years	
		Direct rail service between Reading Station and Heathrow Airport	Growth	Being studied	Allows direct access to Heathrow from the West	4-7 years	
		Bristol area to Newport increased capacity	Growth and performance	IOS scheme	Increases capacity in the Bristol area and through the Severn Tunnel	1-4 years	
Improvement on routes between Reading/Bristol to Exeter and Plymouth	Growth	IOS schemes	Increased capacity between Exeter and Plymouth; improved journey times between Reading/Bristol and Plymouth	1-4 years			
Gauge and capacity enhancements	Growth	Being studied	Clearance and infrastructure works to permit more freight trains, particularly for aggregates traffic, and clearance for higher and wider trains.	7-10 years			

Part 4: **The schemes** Strategic Routes continued

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes	
Midland Main Line	L	Overall objective						
		Increase frequency and raise line-speeds between London and Leeds via Sheffield, improving links between Yorkshire and the East Midlands as well as with London	Growth	First stage agreed with National Express as part of MML franchise extension; second stage currently being studied	MML franchise extension, agreed in August 2000, offers faster journey times from London to Sheffield and Leeds using new high speed diesel trains. Further upgrade is likely to increase capacity further	1-10 years	<ul style="list-style-type: none"> increasing patronage on intercity lines, contributing to the reduction of road congestion on the M1 and A1 corridors more frequent commuter services increasing reliability and punctuality improving levels of customer satisfaction increasing rail's share of the freight market better links to East Midlands and Heathrow Airports 	
		Particular projects						
		New station at East Midlands Parkway near to the M1	Growth	Agreed as part of MML franchise extension	Will provide greater accessibility and journey opportunities for East Midlands passengers, including easier access to East Midlands Airport and park and ride from the M1	1-4 years		
		Projects to reduce journey times between London, Nottingham and Sheffield	Growth	Agreed as part of MML franchise extension	Track and signalling work as part of franchise extension	1-4 years		
		Upgrade and electrification of Dudding Hill line and flyover at Cricklewood	Growth	Being studied by BAA and SRA	Infrastructure for new direct Heathrow – St. Pancras services (<i>also in Heathrow programme in London section</i>)	4-7 years		
		Reopening of Corby branch to passenger traffic	Growth	Feasibility study being prepared by MML	Reintroduction of passenger services between Kettering and Corby	4-7 years		
Enhancements at Leicester, possibly including grade separated junctions	Growth and performance	Being studied	Increase in capacity at Leicester to permit increased traffic on the MML and the Felixstowe-Nuneaton freight route (<i>also in Felixstowe – Nuneaton programme in Freight section</i>)	4-7 years				
Resignalling and capacity work between Kentish Town and East Midlands	Growth and performance	Longer term issues being studied by Railtrack and SRA	Will permit higher frequencies and improved reliability	7-10 years				

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes									
Cross Country	M	Overall objective	Growth	Railtrack committed scheme	Package of works across the country to facilitate the introduction of a new timetable with increased frequencies, new 125mph diesel rolling stock, and to provide journey time and frequency improvements	1-4 years	<ul style="list-style-type: none"> • increasing patronage on intercity lines contributing to the reduction of road congestion on trunk roads • better cross country network connections • increasing reliability and punctuality 									
		Programme to increase capacity and line-speeds on key North-South interurban routes outside London														
		Particular projects						Growth	Railtrack committed scheme	Improves track quality and raises line-speed up to 125mph on routes from Birmingham to Sheffield and Stafford and to 120mph to Thames Valley	1-4 years	<ul style="list-style-type: none"> • improving levels of customer satisfaction • better links to airports 				
		Line-speed improvements on routes from Birmingham														
		Additional capacity between Reading and Redhill											Growth	Being studied	Signalling and track layout changes to increase frequency of through services, including work at Reading Station and new turnbacks at Shalford and Redhill (<i>also in Great Western programme in Strategic Routes section</i>)	1-4 years
New depot at Three Rivers	Growth	Being built	New maintenance depot for all new Cross Country trains being built between Birmingham and Derby	1-4 years												
Removal of level crossings					Safety	Railtrack committed scheme	Replacement or closure of level crossings to permit 125mph operation	1-4 years								
Additional platforms at Bristol Temple Meads									Growth	Railtrack committed scheme	Provision of two new platforms to provide more capacity converted from former parcels platforms	1-4 years				
	Growth	Being studied by SRA; consultants to be appointed shortly to develop concepts further	Programme to assess the case for building a new high speed route, offering significant journey time reductions and a major increase in capacity in part by releasing capacity on existing routes	10+ years									<ul style="list-style-type: none"> • increasing patronage on intercity lines contributing to the reduction of road congestion on trunk roads • better cross country network connections • increasing reliability and punctuality • improving levels of customer satisfaction 			
North-South High Speed Line														L	New high speed rail route between the North and South of the UK	

Part 4: **The schemes** continued

London

(only projects wholly within London area included here)

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes	
Thameslink 2000	L	Overall objective						
		Increase capacity on the central section of Thameslink	Growth and performance	Deal agreed with Railtrack; TWA Inquiry underway	Work to allow 24tph to operate on the central section of Thameslink, a new station at St. Pancras for Thameslink trains, and to provide direct link to Great Northern services	1-7 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion more frequent services on commuter lines increasing reliability and punctuality 	
		Particular projects						
		Upgrade of route between London Bridge and St. Pancras	Growth	TWA Inquiry underway	Increasing capacity in the peak, to permit up to 24tph to operate and 12-car train lengths	1-7 years	<ul style="list-style-type: none"> increasing levels of customer satisfaction reduced crowding on rail and tube services 	
		Construction of new station at St. Pancras	Growth	TWA Inquiry underway	New station beneath existing St. Pancras terminus for Thameslink, with improved interchange to tube, Eurostar and national rail services (<i>also in ECML upgrade and CTRL programme in Strategic Routes section</i>)	1-4 years	<ul style="list-style-type: none"> improving cross London links better links to Luton and Gatwick Airports 	
		Flyover at Bermondsey and works at Tanners Hill	Growth and performance	TWA Inquiry underway	Separates train operations between Thameslink/South Central and Connex South Eastern routes to allow improved capacity and performance	1-4 years		
		New line and platform at London Bridge	Growth	TWA Inquiry underway	New through platform will allow frequency of Charing Cross services to be maintained post Thameslink 2000	1-7 years		
Reconstruction of Farringdon and Blackfriars stations	Growth	TWA Inquiry underway	Wider, longer platforms to enable 12-car trains to operate through London; also provision of better interchange with tube services	1-7 years				
		Improvement at Finsbury Park	Growth	Being studied	Improved interchange between national rail, tube and bus services	1-4 years		
Chiltern	M	Chiltern Metro	Growth	Being studied	Work to increase inner suburban frequencies between Marylebone and West Ruislip	4-7 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion on M40/A40 corridor 	
		Upgrade of Aylesbury line	Growth	M40 Trains to study	Improved service from Amersham and Aylesbury line through upgrade of both Railtrack and LUL-owned sections of route (<i>also in Chiltern programme in South East section</i>)	4-7 years		

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
South Central	L	New flyover at Windmill Bridge, Croydon to separate London Bridge and Victoria trains	Growth and performance	Agreed with GOVIA	Permits an additional 3tph along the main line between Croydon and Brighton and improves performance	1-4 years	<ul style="list-style-type: none"> increasing patronage, contributing to the reduction of road congestion on the A23 and M23 corridors more frequent services on commuter lines increasing reliability and punctuality improving levels of customer satisfaction reducing crowding on rail services better links to Gatwick Airport
		Longer platforms on metro services and Caterham/ Tattenham branches	Growth	Agreed with GOVIA	Provides additional passenger capacity and reduces overcrowding	1-4 years	
Orbital including East London Line	L	Higher frequency inner suburban rail services in London	Growth and performance	Being studied with TfL	New line between Whitechapel and Dalston plus new junctions at New Cross Gate and Old Kent Road to South London Line. Project links tube and national rail services to bring together the North London, East London and South London lines as an integrated service	1-7 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion in London more frequent services on commuter lines increasing reliability and punctuality improving levels of customer satisfaction reducing crowding on rail and tube services
		Track and station improvements along the North London, Gospel Oak-Barking and West London Lines	Growth and performance	Being studied with TfL	Renovation of North London Line, Gospel Oak-Barking and increased capacity on West London Line to facilitate Orbital and growth of freight	1-7 years	
South Western Main Line	L	Extended platforms at Waterloo and suburban stations to allow longer trains	Growth and performance	Replacement underway	Extension of suburban platforms at Waterloo and on the Chessington, Hampton Court, Kingston Loop, Shepperton, Dorking and Windsor Lines. Improvements to passenger flows to facilitate interchange with tube and bus services and provide a better travel environment	1-4 years	<ul style="list-style-type: none"> increasing patronage, contributing to the reduction of road congestion on urban routes more frequent services on commuter lines increasing reliability and punctuality improving levels of customer satisfaction reducing crowding on rail services
		Location specific investments to improve operational flexibility	Growth and performance	Replacement underway	Additional platforms, turnbacks, and other infrastructure improvements throughout the South Western network	1-4 years	
		Upgrading of Clapham Jnc. station	Growth and performance	Replacement underway	Improvement of station facilities to facilitate interchange between rail and bus services	4-7 years	
		Upgrading of key interchange stations	Growth	Replacement underway	Improvements at interchanges with tube system (Vauxhall, Wimbledon, Richmond)	4-7 years	
		Access to new Wimbledon-Hackney line	Growth	Possibility	Work to provide interchange to new Wimbledon-Hackney tunnel at Wimbledon	10+ years	

Part 4: **The schemes** London continued

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
London East-West Study	L	East-West tunnel connecting Liverpool Street and Paddington	Growth	SRA report with Deputy Prime Minister	New deep-level tunnel under London to provide extra capacity and faster through journeys, providing relief to tube network. Associated projects on Great Western, Chiltern, Great Eastern and West Anglia networks to increase overall capacity	7-10 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion in London increasing reliability and punctuality better links to airports improving cross London links
		New line between Wimbledon and Hackney	Growth	SRA report with Deputy Prime Minister	New deep-level tunnel under London to reduce overcrowding, relieving Waterloo and Victoria stations as well as Victoria Line, and provide new services between the South West and North East of the city	10+ years	<ul style="list-style-type: none"> increasing rail's share of the freight market improving levels of customer satisfaction
		Upgrade of key North London routes	Growth	SRA report with Deputy Prime Minister	Providing new capacity for freight and passenger services between London and the West Coast Main Line using the Gospel Oak to Barking and North London lines <i>(also in Felixstowe – Nuneaton programme in Freight section)</i>	7-10 years	
Heathrow	M	New direct service between Heathrow and St. Pancras	Growth	Being studied by BAA, Railtrack and SRA	To improve access to Heathrow from West London and King's Cross-St. Pancras. Includes upgrade and electrification of Dudding Hill line and flyover at Cricklewood <i>(also in MML programme in Strategic Routes section)</i>	4-7 years	<ul style="list-style-type: none"> better links to airports and between Heathrow Airport and London and the rest of UK contributing to the reduction of road congestion in London and elsewhere improving levels of customer satisfaction
		"Superhub" at King's Cross/St. Pancras	Growth	Being studied by Railtrack and SRA	New terminal facilities at King's Cross-St. Pancras and link to Euston to provide improved connections between national rail and tube services as well as better access to airport services <i>(also in ECML and CTRL programmes in Strategic Routes section)</i>	4-7 years	
Airtrack	M	New Rail Link between Heathrow and Staines	Growth	Being studied by BAA and SRA	New 3km rail link between Heathrow and Staines will allow direct services to Heathrow from Waterloo or Victoria, as well as South West London	4-7 years	<ul style="list-style-type: none"> better links to Heathrow Airport
West Anglia	M	West Anglia route improvements between Coppermill Junction and Stansted/Cambridge	Growth and performance	Being studied by Railtrack and SRA	Frequency and journey time improvements including new flyover at Coppermill Jnc., which would permit more airport, fast and local services, and new services to Stratford and Docklands <i>(also in West Anglia programme in South East section)</i>	1-4 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion on the M11 corridor better links to Stansted Airport

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
West Anglia (ctd.)		Provision of more tracks on Lea Valley route plus enhanced loops at Harlow and Bishop's Stortford	Growth	Being studied by Railtrack and SRA	Permits more trains in peak hours and improved split between fast and local services. <i>(also in West Anglia programme in South East section)</i>	1-4 years	<ul style="list-style-type: none"> • more frequent services on commuter lines • increasing reliability and punctuality • improving levels of customer satisfaction
South Eastern	M	12-car platform extensions	Growth and performance	Proposed by Connex	Reduces overcrowding by allowing longer trains to be run	1-7 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality • more frequent commuter services • improving levels of customer satisfaction • reducing crowding on rail services
		Capacity improvements between Fawkham Junction and Bickley	Growth	Work starting	Capacity improvement to permit international trains to access Waterloo when CTRL Stage 1 opened; also improves performance of Connex South Eastern services <i>(also in CTRL programme in Strategic Routes)</i>	1-4 years	
		Removal of key flat junctions	Growth and performance	Possibility	To improve performance and capacity for passenger and freight trains over congested flat junctions including Lewisham, Catford, Orpington and Herne Hill	7-10 years	
c2c	S	Improved operational flexibility at West Ham, Upminster and Benfleet	Performance	IOS scheme	Additional junctions and signalling to improve operational resilience	4-7 years	<ul style="list-style-type: none"> • increasing reliability and punctuality
Great Eastern	M	Signalling, track layout and station upgrade at Stratford	Growth	Being studied	Provides more capacity to allow additional trains to stop at Stratford and better interchange facilities with national rail, tube and DLR services	7-10 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality
		Increasing platform length at Romford to 12-car	Growth	Being studied	Increasing capacity and operational flexibility	1-4 years	
		Connections to East-West Tunnel	Growth	Being studied	Provides infrastructure and signalling needed to access new tunnel and provide connections between national rail, tube and DLR services	4-7 years	
Thames	M	Increased capacity and connections to East-West tunnel	Growth	Being studied	Six-tracking from Paddington to Airport Jnc. or possibly Slough; connections to East-West tunnel; and lengthening of suburban platforms at Paddington <i>(also in Great Western programme in Strategic Routes section)</i>	7-10 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion

Part 4: **The schemes** continued

South East

(projects outside London area included here)

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
South Central Upgrade <i>(see also South Central programme in London section)</i>	M	Provision of additional platforms at Gatwick Airport	Growth and performance	Agreed with GOVIA	Increases capacity at this key station, to allow more frequent services	1-7 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion on the A23 and M23 corridors better cross country links more frequent services on commuter lines increasing reliability and punctuality better links to Gatwick Airport improving levels of customer satisfaction reducing crowding on rail services
		Upgrading of the Arun Valley line including new chord with Coastway route to Brighton	Growth	Agreed with GOVIA	Increases capacity by 4tph and line speeds improved to 100mph in places. Enhanced use of route via Sutton and Dorking to Arun Line to increase capacity. Chord provides alternative direct route from London to Brighton	1-7 years	
		New passing loops on the Coastway line	Growth	Agreed with GOVIA; partly IOS scheme	Permits increased frequencies and more through services between Brighton, Portsmouth and Southampton	1-7 years	
		Improved access to stations	Growth	Agreed with GOVIA	Provision of more car parking spaces and improvements to bus services at stations	1-7 years	
		Station upgrades	Growth	Agreed with GOVIA	Providing a high quality customer environment at stations. Renovations and better facilities at many stations, including Three Bridges, Eastbourne and Redhill	1-7 years	
		Electrification of Ashford – Hastings and East Grinstead-Uckfield	Growth	Agreed with GOVIA	Electrification of Ashford-Hastings permits possible through services from South Coast to Ashford International. East Grinstead-Uckfield electrification removes remaining diesel service	1-7 years	
		Dualling of sections of Ashford – Hastings and East Grinstead – Uckfield lines	Growth	GOVIA to study	Increases line capacity by reinstatement of some dual track sections	7-10 years	
Uckfield – Lewes reinstatement	Growth	GOVIA to study	Line reopening to improve access to Eastbourne and provide more capacity from London and Croydon	7-10 years			
Chiltern	M	Upgrade of Marylebone – Aynho Junction, involving resignalling and station works	Growth	Agreed with M40 Trains	Permits 15tph between Marylebone and High Wycombe, a faster and more frequent service to Birmingham, and better connections between High Wycombe and Birmingham	1-7 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion on the A40/M40 corridor more frequent services on commuter lines increasing reliability and punctuality improving levels of customer satisfaction
		Additional platforms at Birmingham Moor Street	Growth	Agreed with M40 Trains	Additional capacity at Birmingham for terminating services from the South <i>(also in West Midlands programme in Regional Hubs Section)</i>	1-7 years	

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Chiltern (ctd.)		Remodelling of track at Bordesley Junction	Growth	Agreed with M40 Trains	Permits higher frequency service into Birmingham for growth in Chiltern and local services <i>(also in West Midlands programme in Regional Hubs Section)</i>	1-4 years	<ul style="list-style-type: none"> reducing crowding on rail services
		Cherwell Valley resignalling	Growth	Agreed with M40 Trains	Improved capacity between Oxford, Coventry and Birmingham <i>(also in Southampton – Birmingham programme in Freight section)</i>	1-7 years	
		Upgrade of Aylesbury line	Growth	M40 Trains to study	Improved service from Amersham and Aylesbury line through upgrade of both Railtrack and LUL-owned sections of route <i>(also in Chiltern programme in London section)</i>	4-7 years	
		Improving access to stations	Growth	Agreed with M40 Trains	Provision of more car parking spaces and improvements to bus services at stations	1-7 years	
		M40 Parkway station, link to Oxford and extension of services to Milton Keynes	Growth	M40 Trains to study	Additional station on Chiltern route plus creation of new route to Oxford. Reopening of closed line north of Aylesbury to provide service to Milton Keynes	4-7 years	
South Western Main Line <i>(see also South Western programme in London section)</i>	L	More capacity between London and Portsmouth / Poole	Growth and performance	Replacement underway	Platform extensions, infrastructure upgrades to allow more frequent and longer trains and power supply improvements	4-7 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion on the M3 corridor
		Increasing capacity between Waterloo and Reading	Growth and performance	Replacement underway	Infrastructure upgrades, including platform extensions, junction improvements and construction of additional platform at Reading to permit 4 tph service frequency	1-4 years	<ul style="list-style-type: none"> more frequent services on commuter lines increasing reliability and punctuality improving levels of customer satisfaction reducing crowding on rail services
		Infrastructure improvements in Hampshire and Dorset	Growth	Replacement underway; partly an IOS scheme	Infrastructure upgrades to increase frequency of service, including more trains between Portsmouth and Southampton. New stations, including Chandlers Ford	1-4 years	
		Station upgrades	Growth	Replacement underway	Improvement in facilities at stations, including Southampton, Southampton Airport, Portsmouth, Guildford and Basingstoke	1-4 years	

Part 4: **The schemes** South East continued

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
South Western Main Line (ctd.)		Direct link to Heathrow Airport from the South Western network	Growth	Airtrack proposal studied by BAA and SRA	Improved access to Heathrow from Woking, Hampshire and the Solent; also from South West London and Waterloo or Victoria	4-7 years	
		Reinstatement of two-track sections of Salisbury – Exeter route	Growth and performance	New Wessex franchise proposed; replacement process underway	Improved quality and capacity, providing a reliable alternative route between London and the South West (<i>also in Wessex programme in Regional Networks section</i>)	4-7 years	
Great Eastern	M	Capacity increase between Shenfield and Colchester	Growth and performance	Possibility	Provision of additional capacity for passenger and freight trains as well as faster journey times between Shenfield and Colchester through track relaying and possible four-tracking in some places	7-10 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality
Anglia	S	Trowse Junction capacity improvements	Growth	Possibility	Relieves the constraint on the number of services that can be operated into and out of Norwich.	4-7 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality
		Installation of passing loop at Beccles	Growth	IOS scheme	Capacity to permit an hourly service between Ipswich and Lowestoft	4-7 years	<ul style="list-style-type: none"> • better links to airports
		Capacity between Norwich – Great Yarmouth /Lowestoft	Growth	IOS scheme	Signalling and track capacity works to increase capacity on the Norwich – Great Yarmouth/ Lowestoft corridors	1-4 years	
		Peterborough – Stansted Airport corridor	Growth	IOS scheme	Reduced journey times	1-4 years	
Silverlink	M	Capacity for outer suburban services, including Hanslope flyover	Growth and performance	Being studied	Additional capacity and journey time improvement for outer suburban services on the West Coast Main Line to Milton Keynes and Northampton (<i>also in WCML Programme in Strategic Routes section</i>)	4-7 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality
South Eastern	L	New direct services using CTRL	Growth	Railtrack has option to build CTRL Stage 2	CTRL Stage 2 permits new, fast services from East and North Kent to St. Pancras, with new park and ride station being built at Ebbsfleet (<i>also in CTRL programme in Strategic Routes section</i>)	4-7 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
South Eastern (ctd.)		Journey time improvements on longer distance corridors	Growth and performance	Possibility	Reduction in journey times between the Medway Towns, Kent Coast and Central London	7-10 years	
Thames	S	Capacity improvement from Didcot to Worcester	Growth	Possibility	Infrastructure for higher frequency services from the main line at Didcot to Oxford and Worcester along the Cotswold line. Station improvements at Oxford (<i>Didcot to Oxford also in Southampton – Birmingham programme in Freight section</i>)	4-7 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality
West Anglia and Stansted	M	West Anglia route improvements between Coppermill Junction and Stansted/Cambridge	Growth and performance	Being studied by Railtrack and SRA	Frequency and journey time improvements including new flyover at Coppermill Jnc., permitting increased Stansted Express trains, fast and local services, and new services to Stratford and Docklands (<i>also in West Anglia programme in London section</i>)	1-4 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion on the M11 Corridor • improving reliability and punctuality • increasing levels of customer satisfaction • better links to Stansted Airport
		Provision of more tracks on Lea Valley route plus enhanced loops at Harlow and Bishop's Stortford	Growth	Being studied by Railtrack and SRA	Additional tracks will permit more trains in peak hours and improved split between fast and local services (<i>also in West Anglia programme in London section</i>)	1-4 years	
		Second bore at Stansted tunnel	Growth	Being studied	Increase capacity to Stansted Airport by building a second line to relieve existing single-track section	4-7 years	
East – West rail link	M	Reopening of lines between Bletchley, Aylesbury and Bicester; also between Bedford and Sandy	Growth	Possibility	Possible reopening of through route between East Anglia and the West providing better rail links between Oxford, Aylesbury, Milton Keynes, Bedford, Cambridge, Ipswich and Norwich	7-10 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • better cross-country network connections

Part 4: **The schemes** continued

Regional Networks

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Wales and Borders <i>(List to be developed with National Assembly for Wales)</i>	M	Overall objective					
		Improvement in rail services in Wales and its borders, including line between Newport, Hereford, Shrewsbury and Crewe/Chester	Growth	Wales and Borders franchise is being formed; replacement process underway	Rail services in the area are currently fragmented; bidders are being asked to take an overall view of the rail network in Wales, focussing in particular on growth in local and interurban services. Potential for freight growth is also being studied	1-7 years	<ul style="list-style-type: none"> • increasing patronage • more frequent commuter services • better cross-country network connections • increasing reliability and punctuality • contribution to regional regeneration • better links to Cardiff Airport • improving rural transport
		Particular projects					
		Upgrade of route between Newport, Hereford, Shrewsbury and Crewe/Chester	Growth	Replacement underway	Capacity and speed improvements to allow increased passenger and freight services between South Wales and North West England/North Wales	4-7 years	
		Improvements to routes serving Cardiff	Growth and performance	Replacement underway	Infrastructure work to permit higher frequency and faster services over the Valley Lines, including construction of a new platform at Queen St. station to provide capacity of 20tph. Upgrade at Cardiff Central. Station improvement as part of the SWIFT multi-modal public transport package	1-4 years	
		Upgrade of North Wales coast route between Chester and Holyhead	Growth	Part funded by National Assembly for Wales	Speed increases to 90mph or more on some sections to give quicker journey times and better links to/from North West England and Ireland	1 year	
		Higher capacity between Swansea and West Wales	Growth and performance	IOS scheme	Laying of new track and track doubling to permit frequency enhancements from Swansea to West Wales	1-4 years	
		Reinstatement of passenger services on Vale of Glamorgan line	Growth	SRA and National Assembly for Wales jointly funding	Reopening for stopping passenger trains of route between Barry and Bridgend, including a station at Rhoose for Cardiff Airport	1-4 years	
Upgrade between Birmingham, Machynlleth and Aberystwyth	Growth and performance	IOS scheme	Increase in line speed to provide additional capacity and improved performance	1-4 years			
Upgrade of the Ebbw Vale Newport line	Growth and performance	Being studied by the TIGER Consortium	Reintroduction of passenger services and increases in capacity	4-7 years			

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Scotland <i>(Scotland programme subject to results of current Scottish Executive consultation)</i>	M	Edinburgh Waverley redevelopment	Growth and performance	Parliamentary approval received	Redevelopment of the station will offer upgraded facilities and new retail development; more through tracks to increase capacity and provide operational resilience <i>(also in Edinburgh/Glasgow programme in Regional Hubs section)</i>	1-4 years	<ul style="list-style-type: none"> increasing patronage on urban and interurban routes contributing to reductions in road congestion more frequent commuter services increasing reliability and punctuality
		New lines to Edinburgh and Glasgow Airports	Growth	Being studied; Glasgow Airport project proposed by SPTE	New rail links to Edinburgh and Glasgow Airports, contributing to closer integration of Scottish rail network within overall transport system <i>(also in Edinburgh/Glasgow programme in Regional Hubs section)</i>	4-7 years	<ul style="list-style-type: none"> better links to Glasgow and Edinburgh Airports improving rural transport better cross-country network connections increasing rail's share of the freight market
		Aberdeen – Inverness additional capacity	Growth	IOS scheme	Provides capacity for an hourly passenger service, providing additional commuter capacity for Aberdeen and Inverness	1-4 years	
		Edinburgh – Perth improvements	Growth	IOS scheme	Higher line speeds and additional capacity over Forth Bridge	1-4 years	
		Edinburgh – Glasgow corridor	Growth and performance	Part of possible future capacity study for the Central Belt	Increasing capacity for freight and passenger services via both Falkirk and Shotts routes and providing increased operational resilience	1-4 years	
		Glasgow/Edinburgh to Aberdeen/Inverness	Growth	IOS scheme with other elements under study	Higher line speeds; possible doubling of some single line sections to increase capacity in longer term	1-7 years	
		Longer loops on Far North and West Highland lines	Growth	IOS scheme	Increases capacity for more and longer freight trains	1-4 years	
		Turnback sidings to permit additional services for Inverness	Growth	Being studied	New infrastructure to permit additional commuter trains to Inverness	1-4 years	
		Reinstatement of freight and passenger trains on Stirling – Alloa branch	Growth	Funding available from Scottish Executive for freight services	Re-introduction of freight trains over Menstrie branch. Access for coal trains to Longannet and diversionary route from Forth Bridge. New Stirling – Alloa passenger service <i>(also in Branch Reopenings programme in Freight section)</i>	1-4 years	
Borders/Waverley project	Growth	Proposed by Borders Rail Consortium	Reopening of route between Edinburgh and Galashiels	7-10 years			

Part 4: **The schemes** Regional Networks continued

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Sheffield-Leeds	M	Upgrading of services between Sheffield and Leeds to improve journey times and capacity	Growth	Proposed in South and West Yorkshire Local Transport Plans	Significant improvement in services between Sheffield and Leeds, via Rotherham, Barnsley or both, with particular aim of reducing journey times and increasing capacity (<i>also in South and West Yorkshire programmes in Regional Hubs Section</i>)	4-10 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion
Buxton-Matlock	M	Line reopening through Peak District National Park	Growth	Project proposed by Derbyshire County Council	Reopening of route between the existing Buxton and Matlock branches would provide new through link between East Midlands and the North West and permit passenger trains to serve the National Park	7-10 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion improving rural transport
Wessex	M	Reinstatement of some two-track sections of Salisbury – Exeter route	Growth and performance	New Wessex franchise proposed; replacement process underway	Improved quality and capacity, providing a reliable alternative route between London and the South West (<i>also in South Western programme in South East section</i>)	4-7 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion increasing reliability and punctuality improving rural transport
		Upgrade between Bristol and Portsmouth	Growth	IOS scheme	Capacity for up to 2tph to improve interurban services	1-4 years	
		Infrastructure improvements in the Bristol area	Growth	IOS scheme	Capacity for more local rail services in the Bristol area, to Weston-super-Mare, Gloucester and Cardiff. Possible passenger use of the Portishead branch. (<i>Services to Cardiff also in Great Western programme in Strategic Routes section</i>)	1-4 years	
Devon and Cornwall	S	Increased capacity between Exeter and Barnstaple	Growth	IOS scheme	Capacity for an hourly service	1-4 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion
		Increased capacity between Exeter and Penzance	Growth and performance	IOS scheme	Additional track and signalling to increase capacity and provide greater operational flexibility (<i>also in Great Western programme in Strategic Routes section</i>)	1-4 years	<ul style="list-style-type: none"> better cross country network connections improving rural transport
		Reopening of line to Tavistock	Growth	Proposed by Plymouth City Council	Reopening of line as a spur to the existing Gunnislake branch to permit direct services from Plymouth to Tavistock, promoting public transport access to Dartmoor	7-10 years	

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
East Midlands	S	Local network enhancement and development	Growth	Partly covered by an IOS scheme; rest being studied	Development of local and inter-urban services between Leicester, Nottingham and Derby through improved signalling and track capacity; improved local service for Nottingham including removal of bottleneck at Nottingham Station	4-10 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion better cross country network connections
		Reopening of passenger services between Burton and Leicester	Growth	Proposed in Local Transport Plans	Track and signalling improvements to permit the reintroduction of passenger services over the freight route	1-7 years	
Northern England	S	Work on Carnforth – Barrow line	Growth	IOS scheme	Track upgrade and linespeed improvements to permit faster journey times	1-4 years	<ul style="list-style-type: none"> increasing patronage contributing to the reduction of road congestion better cross country network connections
		Newcastle to Carlisle upgrading	Growth and performance	IOS scheme	Additional capacity and operational flexibility for passenger and freight trains	1-4 years	
		Capacity improvement on Windermere Branch	Growth	Proposed by Cumbria County Council	Possible doubling of track between Kendal and Burnside to permit higher frequencies linked to improved bus and car park facilities	4-7 years	

Part 4: **The schemes** continued

Regional Hubs

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Edinburgh and Glasgow <i>(Programme subject to results of current Scottish Executive consultation)</i>	M	Glasgow-Edinburgh line improvements	Growth and performance	Part of possible future capacity study for the Central Belt	Increasing capacity for passenger and freight services via both Falkirk and Shotts routes and providing increased operational resilience <i>(also in Edinburgh/ Glasgow programme in Regional Networks section)</i>	1-4 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing rail's share of the freight market • better links to Glasgow and Edinburgh Airports • more frequent services on commuter lines • improving levels of customer satisfaction • reducing social exclusion
		Edinburgh Waverley redevelopment	Growth and performance	Parliamentary approval received	Redevelopment of the station to offer upgraded facilities and new retail development; more through tracks to increase capacity and provide operational resilience <i>(also in Edinburgh/Glasgow programme in Regional Networks section)</i>	1-4 years	
		Rail lines to Edinburgh and Glasgow Airports	Growth	Being studied; line to Glasgow Airport proposed by SPTE	New rail links to Edinburgh and Glasgow Airports, contributing to closer integration of Scottish rail network within overall transport system <i>(also in Edinburgh/ Glasgow programme in Regional Networks section)</i>	4-7 years	
		Capacity improvements on Fife Circle and North Berwick lines	Growth	Being studied	Infrastructure upgrade to permit higher frequency services for commuters	1-4 years	
		Edinburgh Crossrail	Growth	RPP scheme: funding agreed	Expansion of local network in Edinburgh by reopening closed line to provide better cross city links and local rail access to long distance rail services	1-4 years	
		Larkhall extension	Growth	Proposed by SPTE	Possible reopening from Milngavie to Larkhall to provide improved local services in Strathclyde area	1-4 years	
		Capacity improvement between Glasgow and Paisley and between Finnieston and Hyndland East JnCs.	Growth and performance	Proposed by SPTE	Additional capacity on congested routes for commuter services into Glasgow	1-4 years	
		Passing loop between Barrhead and Kilmarnock; platform extensions on the East Kilbride line	Growth	IOS scheme	Increases capacity by allowing more and longer trains to operate	1-4 years	
Improvements at Glasgow Central and Queen St. stations	Growth and performance	Being studied	Capacity enhancements to improve performance and provide increased frequencies	1-4 years			

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Edinburgh and Glasgow (ctd.)		Improved stations in Strathclyde	Growth	Being studied by SRA and Railtrack	Improved station facilities, with park and ride, CCTV and better links to bus services. Improved interchange at Partick, new station at Gartcosh and new station buildings at Dalmuir, Garrowhill and Blairhill	1-4 years	
		Electrification of Rutherglen to Coatbridge	Growth and performance	Being studied by SRA and Railtrack	Electrification to extend electric services to Coatbridge Central, providing more frequent service with more capacity	4-7 years	
Greater Manchester	L	Central Manchester stations capacity and facility upgrade	Growth and performance	Manchester capacity study plus TPE replacement both underway	Increasing capacity and better facilities at Central Manchester stations including upgrading of facilities at Piccadilly for 2002 Commonwealth Games (<i>also in TPE programme in Strategic Routes section</i>)	1-7 years	<ul style="list-style-type: none"> • increasing patronage, contributing to the reduction of road congestion • more frequent services on commuter routes • increasing reliability and punctuality
		Track remodelling on approach to Manchester Piccadilly	Growth and performance	Railtrack committed scheme	Remodelling of lines and junctions from Cheadle Hulme to Manchester Piccadilly to increase capacity and improve performance (<i>also in West Coast programme in Strategic Routes section</i>)	1-4 years	<ul style="list-style-type: none"> • better links to Manchester Airport • reducing social exclusion
		Capacity for increased Transpennine Express service	Growth and performance	Manchester capacity study plus TPE replacement both underway	Infrastructure to permit higher frequency Transpennine Express service to Leeds, Sheffield and beyond (<i>also in TPE programme in Strategic Routes section</i>)	1-4 years	
		Improved access and capacity enhancement at Manchester Airport	Growth	Manchester capacity study plus TPE replacement both underway	Increased capacity and upgrading of facilities at Manchester Airport station to permit higher frequency Transpennine services, more local trains between Crewe and Manchester, as well as a future Western rail link from North Wales and Chester (<i>also in WCML and TPE programmes in Strategic Routes section</i>)	4-7 years	
		North Transpennine upgrade	Growth	Replacement underway	Additional capacity provision and improved journey times between Manchester and Leeds (<i>also in TPE programme in Strategic Routes section</i>)	4-7 years	
		Manchester – Blackpool electrification	Growth and performance	Proposed by GM PTE Rail Strategy	Improved service between Manchester, Preston and Blackpool	7-10 years	

Part 4: **The schemes** Regional Hubs continued

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Greater Manchester (ctd.)		Junction and line speed improvements on radial routes	Growth and performance	Proposed by GM PTE Rail Strategy; some already covered by IOS	Improved segregation between local and interurban services, particularly between Manchester and Warrington, Liverpool, Wigan, Bolton, Stalybridge and the Hope Valley to increase overall frequencies and improve reliability	7-10 years	
		Station improvements	Growth and performance	Proposed by GM PTE Rail Strategy	Provision of better station facilities, including enhanced park and ride, improved accessibility for the mobility impaired and better links to local buses. Stations for upgrade include Guide Bridge, Lostock, Stalybridge, Bolton and Rochdale. Possible new stations at 10 locations	1-7 years	
		Improved access for freight services to the West Coast Main Line and Transpennine route plus new or enhanced terminals	Growth	Proposed	Increasing the flexibility of the freight network, through gauge clearance works, and improved interchange facilities (<i>also in Capacity and Flexibility programme in Freight section</i>)	1-4 years	
West Midlands	L	Four-tracking between Tyseley- and Dorridge; related work in Birmingham	Growth	Part of West Mids. Capacity Study	Provides more capacity for passenger and freight services and provides ability to divert all freight from New St. Station (<i>also in Southampton-Birmingham programme in Freight section</i>)	1-7 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion within West Midlands conurbation • increasing reliability and punctuality
		Reinstated platform at Birmingham Snow Hill and additional platform capacity at Wolverhampton	Growth	Part of West Mids. Capacity Study	More capacity and flexibility for train operations to allow more trains and better service patterns	1-4 years	<ul style="list-style-type: none"> • better links to airports • better integration • reducing social exclusion
		Remodelling of track at Bordesley Junction	Growth and performance	Agreed with M40 trains	Permits higher frequency services into Birmingham for growth in Chiltern and local services (<i>also in Chiltern programme in South East section</i>)	1-4 years	
		Additional platforms at Birmingham Moor Street	Growth	Agreed with M40 trains	Additional capacity at Birmingham for terminating services from the South (<i>also in Chiltern programme in South East section</i>)	1-4 years	
		Construction of new chords in Birmingham area	Growth and performance	Part of West Mids. Capacity Study	More flexibility by improving connections between routes serving New Street and Snow Hill/Moor Street	1-4 years	
		Platform lengthening at stations in Birmingham area	Growth	Part of West Mids. Capacity Study	Increasing capacity for longer trains to improve commuting network into Birmingham	1-4 years	

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
West Midlands (ctd.)		Possible electrification between Birmingham and Nuneaton and remodelling of route to Water Orton	Growth and performance	Part of West Mids. Capacity Study	Increasing capacity, improving the range of cross-city services offered in Birmingham and improving operational flexibility of diversionary routes on the West Coast Main Line	4-7 years	
		New tunnel under Birmingham New St. for local services	Growth and performance	Part of West Mids. Capacity Study	Providing more capacity through Birmingham with a new deep-level station for suburban services, speeding journeys up and improving train performance	10+ years	
		Four tracking of key sections between Coventry and Wolverhampton	Growth	Part of West Mids. Capacity Study	Providing new capacity to serve tunnel under Birmingham New St. and relieving bottlenecks on this route <i>(also in WCML programme in Strategic Routes section)</i>	10+ years	
		Resignalling Birmingham – Wolverhampton	Growth	Part of West Mids. Capacity Study	Provides increased capacity and operational flexibility	7-10 years	
		Reopening of through line between Stourbridge and Walsall and remodelling of Walsall	Growth	Part of West Mids. Capacity Study	Creates a North East-South West route for freight traffic through Birmingham, freeing up capacity for through passenger services. <i>(also in West Midlands programme in Freight section)</i>	4-7 years	
Merseyside	M	Improvement in local network and improved linkage with national network	Growth and performance	Proposed in Local Transport Plan	Development of local network to Liverpool providing better links with interurban services to Manchester, Manchester Airport, Chester and North Wales as well as intercity services	1-7 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality • better links to airports • better integration • reducing social exclusion
		New Allerton interchange	Growth	Funded in 2000 Local Transport Plan round	Improved car parking, integration with bus services and links to Liverpool Airport, including new interchange station at Allerton	1-4 years	
		Upgrading of key stations in Liverpool and Birkenhead	Growth and performance	Proposed in Local Transport Plan	Upgrade of the underground stations in Liverpool and Birkenhead Centres as part of integrated schemes to regenerate these city centres. Upgrading of Lime Street Station. Possible new stations at 5 locations	1-4 years	
		Rebuilding of Liverpool Central	Growth and performance	Proposed in Local Transport Plan	Upgrade of Liverpool Central Station	1-4 years	

Part 4: **The schemes** Regional Hubs continued

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
Merseyside (ctd.)		Capacity increases at Lime Street and Hunts Cross	Growth and performance	Proposed in Local Transport Plan	Junction modifications to increase capacity at the entrance to Lime Street Station and at Hunts Cross, improving separation between local and interurban services	1-4 years	
		Bootle and Aintree reopening	Growth	Proposed in Local Transport Plan	Reopening of lines to Bootle and Aintree to improve links to Liverpool	4-7 years	
		Electrification on the Wirral	Growth	Proposed in Local Transport Plan	Extension of electric services from Kirkby to Woodchurch and Headbolt Lane on the Wirral, with links to local bus and park and ride improvements	4-7 years	
		New chord at Olive Mount	Growth and performance	IOS scheme	Provides direct access to Seaforth branch for freight trains from the West Coast and Transpennine routes	1-4 years	
	Improved access for freight services to the West Coast Main Line and Transpennine route plus new or enhanced interchanges	Growth	Proposed in Local Transport Plan	Increasing the flexibility of the freight network, clearing routes for higher gauges and improved interchange facilities in both Liverpool and Birkenhead to increase capacity for freight traffic <i>(also in Capacity and Flexibility programme in Freight section)</i>	1-4 years		
West Yorkshire	M	Enhancement of the interurban network alongside improvement in local routes	Growth and performance	Proposed by West Yorkshire PTE	Improved interurban services to Sheffield, better links to Huddersfield, Halifax and Bradford. Possible new link to Leeds-Bradford Airport <i>(Huddersfield also in TPE programme in Strategic Routes section)</i>	4-10 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality • better links to airports • better integration • reducing social exclusion
		Leeds Station upgrade: Leeds First	Growth	Railtrack committed scheme – being built	Improves station facilities, provides for future growth in passenger numbers and provides more track capacity for intercity, interurban and local services <i>(also in ECML programme in Strategic Routes section)</i>	1 year	
		Reinforcement of electrification from Shipley to Skipton	Growth	Proposed by West Yorkshire PTE	Facilitates electric intercity trains to Leeds and London	7-10 years	
		Platform extensions between Ilkley and Bradford Forster Square	Growth	Proposed by West Yorkshire PTE	Extensions would permit four-car operation; case for extending new electric trains currently entering service being considered	1-4 years	

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to 10 Year Plan outcomes
West Yorkshire (ctd.)		Improved accessibility of rail services at key stations	Growth	Proposed by West Yorkshire PTE	Improved interchange, car parking and/or integration with local bus services at key stations including Dewsbury, Huddersfield and Wakefield Westgate, and also at sites in the East Ardsley and Brighouse-Mirfield areas	1-7 years	
South Yorkshire	M	Capacity increase through Sheffield	Growth	Being studied	Improvements to the track layout between Dore, Sheffield and Swinton to improve capacity for passenger and freight trains	1-7 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality
		Upgrade of station facilities in Sheffield	Growth	Station project being considered for RPP funding	Major improvements to Sheffield Station encouraging city centre development and improving interchange	4-10 years	<ul style="list-style-type: none"> • better links to airports • better integration • reducing social exclusion
		Enhanced interurban links to the North of Sheffield	Growth	Proposed in South Yorkshire LTP	Improved links from Sheffield to Leeds, Rotherham and Barnsley, with higher frequency and faster interurban trains. Improvements to junctions at Meadowhall to increase capacity	4-10 years	
		Grade separation at Doncaster	Growth and performance	Proposed as part of ECML Upgrade	Improved separation between fast and slow trains to improve performance and capacity (<i>also in ECML programme in Strategic Routes section</i>)	4-7 years	
		Improvements at stations	Growth	Proposed in South Yorkshire LTP	Improvements in facilities at stations, including Doncaster, Chesterfield, Mexborough and Woodhouse; possible new stations at 10 locations including Sheffield Airport	1-4 years	
		Reopening of Woodhead tunnel	Growth	Proposed in South Yorkshire LTP	Provides additional capacity for passenger and freight trains between Sheffield and Manchester including possible reopening of Sheffield Victoria (<i>also in TPE programme in Strategic Routes section and Capacity and Flexibility programme in Freight section</i>)	7-10 years	

Part 4: **The schemes** Regional Hubs continued

Programme	Scope	Main projects	Criteria	Status	Description/comments	Immediacy	Contribution to ten year plan outcomes
Tyne and Wear	M	Reopening of stations on the Leamside line	Growth	Proposed as part of ECML Upgrade	Reopening of Leamside line as a diversionary route from the ECML provides opportunity to reintroduce stopping passenger services serving Washington and Belmont and better services to Middlesborough (<i>also in ECML programme in Strategic Routes section and Capacity and Flexibility programme in Freight section</i>)	4-7 years	<ul style="list-style-type: none"> • increasing patronage contributing to the reduction of road congestion • increasing reliability and punctuality • better links to airports • better integration • reducing social exclusion
		Possible reopening of Blyth and Tyne line and new passenger services between Newcastle and Ashington	Growth	Proposed in Tyneside LTP; possible RPP application	Possible new passenger service on freight branch	4-10 years	
		Integration between Metro and national rail services	Growth	Sunderland extension being built; other services in Tyneside LTP	Extension of Metro from Pelaw to Sunderland and South Hylton, partly over the national rail network. Possible use by national rail services of Metro's branch to Newcastle Airport and shared running of Metro and freight trains between Pelaw and Simonside being studied.	1-4 years	
		Possible reopening of Stillington branch for passenger service between Ferryhill and Stockton		Proposed in Tyneside LTP	To cater for growth in traffic between Teeside and Tyneside and alleviate congestion on ECML	4-10 years	

A strategic
agenda:
volume 2

the
annexes

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Annex 1

Transfer of functions to SRA

Composition of SRA

Existing functions have been assumed by the SRA from various quarters:

- responsibilities and powers in relation to the franchising of passenger rail services formerly undertaken by OPRAF;
- activities in relation to freight, strategic planning and assistance with franchise replacement, formerly undertaken by BRB;
- the role, for the time being, of employer in relation to the British Transport Police (BTP), formerly the responsibility of BRB. Operational responsibility for the BTP rests with a Police Committee, which is independent of the SRA, and the Government is expected to take powers in due course to transfer the role of employer to the BTP away from the SRA;
- administration of the freight grant regime, some international responsibilities and collection and publication of rail statistics, transferred from DETR;
- responsibility for the consumer protection clauses within licences issued under the Railways Act 1993; for sponsorship of Rail Passenger Councils; and for administering railway closures, transferred from ORR; and
- administration of residual claims made against BRB and BRB's remaining property estate and records, transferred from BRB.

Annex 2

Extracts from the DETR 10 Year Plan

This Annex provides relevant extracts from the 10 Year Plan (DETR ‘Transport 2010: The 10 Year Plan’) which illustrate and highlight the 10 Year Plan’s commitment to increased rail investment and improved rail services. (Note that references in the extracts to charts etc. which are not reproduced here have been omitted. Therefore these extracts are not a substitute for referring to the 10 Year Plan itself).

This Annex focuses on five aspects of the 10 Year Plan:

- the overall strategy underlying the Plan;
- the key challenges which the Plan was designed to address;
- the emphasis on partnerships and resources;
- the overall approach to improving Britain’s railways; and
- monitoring and review of the 10 Year Plan, including the targets set by the Plan.

Strategy

The ‘Strategy’ section of the 10 Year Plan sets out the three main themes of the document: integration, partnerships and investment in new projects.

...“Our strategy for transport is to tackle congestion and pollution by improving all types of transport – rail and road, public and private – in ways that increase choice. It is a strategy for investment in the future to create prosperity and a better environment.

This requires a new approach, based on:

- integrated transport: looking at transport as a whole, matching solutions to specific problems by assessing all the options.
- public and private partnership: government and the private sector working more closely together to boost investment.
- new projects: modernising our transport network in ways that make it bigger, better, safer, cleaner and quicker.”...

Challenge

The ‘Challenge’ section of the 10 Year Plan explains how the transport problems Britain faces are, in part, connected with success. Rising prosperity generates higher demand for personal travel and for the transport of goods and services.

A number of specific challenges were then identified, some of which are reproduced below:

...“The key challenges of the next ten years that this Plan must address are:

- **Road traffic growth and congestion:** total traffic, measured in vehicle kilometres, is forecast to grow by 22% between 2000 and 2010....Congestion is already high in urban areas and is forecast to grow by 15% across the network as a whole and by 28% on the inter-urban trunk road network.
- **Overcrowding and congestion in London:** around 75% of those working in central London travel to work by public transport. Large parts of the Underground are already overcrowded in peak times and demand is forecast to continue growing. On London commuter rail services, four out of the ten operators exceed overcrowding standards. Road congestion in London is three and a half times the average in England.
- **Inadequate public transport across England:** in many towns and cities public transport does not offer an attractive choice. Buses are the main form of public transport for most local journeys, but bus patronage has declined by two thirds since the 1950s. Outside London, only 15% of those working in metropolitan areas and 7% in other towns, commute by public transport. Deregulation in the mid 1980s did not halt this decline, though there are encouraging signs that it has now ended.
- **Rural transport:** low population densities increase the cost per head of providing public transport, which limits its provision. As a result, those without use of a car may suffer poor access to work and services, and be at risk of social exclusion. Currently, only 36% of households in rural areas are within a ten minute walk of a regular bus service, compared with 94% in urban areas. 86% of rural households have cars compared with 70% in urban areas.
- **Rail demand:** on current forecasts rail passenger demand will grow by 34% over the next ten years, but capacity constraints on the network would limit actual growth to 23%. Providing additional capacity and improved services is forecast to increase this to 50%. Passenger satisfaction with rail journeys ranges from 67% to 91%. Only 41%

Annex 2 Extracts from the DETR 10 Year Plan continued

of users feel rail services offer value for money.

- **Freight:** economic growth will generate growth in the distribution of goods and services. The economy depends heavily on efficient distribution, which itself accounts for some 10% of GDP. Without action, rising congestion (to which increasing lorry and van traffic will contribute) and associated increases in distribution costs will reduce our competitiveness, limiting future economic growth and job creation.
- **Safety:** it will require major investment in new safety systems to rebuild confidence in the safety of our railways. We have set ourselves ambitious targets for reducing casualties on our roads to ensure that our roads remain the safest in Europe. Safety of pedestrians and cyclists, especially children, must take priority.
- **Climate change:** emissions from the transport sector of carbon dioxide (CO₂) – the most significant of the greenhouse gases causing climate change – currently represent a quarter of the UK's total emissions, and are forecast to increase by 2010 as traffic grows....
- **Air pollution and noise:** emissions of the most noxious air pollutants arising from road traffic should be about half present levels by 2010, largely because of improvements in vehicle technology and fuel quality. But on current projections, the trend will reverse beyond 2010 as these improvements are offset by traffic growth. And more needs to be done in many urban areas where air quality objectives will still not be met. Noise level standards for new vehicles have also been tightened, but noise from road transport in particular remains a concern for many people.
- **Social exclusion:** 60% of the poorest 20% of households have no car. Fifty-five percent of those over 70, a rapidly growing proportion of the population, live in households without a car. Women and those under 20 are also more reliant on public transport. Lack of accessible and affordable public transport contributes to problems of social exclusion. And any rise in the relative cost of public transport therefore has a greater impact on people in disadvantaged groups.”...

Partnerships and Resources

Two key themes of the 10 Year Plan are the need for a stronger partnership based approach and substantially increased resources for transport.

...“Delivering the improvements we want to see in our transport system requires a new approach:

- stronger partnerships with the private sector;
- greatly increased resources;
- closer relationships with local government;
- more integrated and strategic approaches to policy-making; and
- better services to meet the needs of customers.

Public and private partnerships, in different forms, will provide the funding for delivering much of this modernisation programme, harnessing private sector finance and disciplines to public objectives. This partnership is central to the new approach of the 10 Year Plan. Making the measures in this Plan a reality will depend on the willingness of transport operators and business more generally to invest, alongside central and local government, in better public transport and in more efficient use of our transport and distribution systems.

The Plan sets out a programme that we believe will require £121 billion of public and private capital investment over the next ten years. This is an increase of almost 75% in real terms compared with the last ten years... Taking [public and private investment and resource expenditure together] the measures we are proposing deliver £180 billion of transport expenditure over the decade... £107 billion (59%) of [this] total will go to public transport (including rail) and £59 billion (33%) will go to roads...

...This pattern of spending reflects our integrated approach and our commitment to public transport. The mix and level of investment is based on our analysis of what is needed to provide a step change in public transport in our towns and cities, in the countryside and in London. It reflects what is required to provide for significant growth in rail use, both by passengers and freight, and to support improvements in the quality of passenger rail services. It provides resources for better maintenance and management of the road network. It will enable us to

implement quickly the outcomes of the multi-modal studies that are looking for integrated solutions to the problems of our major transport routes. If the studies recommend a pattern of spending that is different from our assumptions, we will shift resources accordingly.”...

Investment in Railways

Chapter 6 of the Plan details the planned approach to significantly improving rail services.

...“We inherited a railway system where years of under-investment had produced an outdated and unreliable network. Privatisation in the mid-nineties created a fragmented system where reducing public subsidy, not improving or expanding services, was the priority. It was a system where:

- there was no framework for strategic planning of the industry as whole
- most franchises were for only seven years, inhibiting long-term planning and investment by operators
- performance standards generally were based on low historic standards and failed to look forward to the rising expectations of passengers
- the industry structure did not anticipate the need for significant investment to cope with sharply increased passenger and freight traffic
- there were no proper incentives for private companies to invest in expansion.

Our aims are to increase the use of the railway by passenger and freight, to provide new capacity to meet demand, and to improve the quality of service to customers, while reducing most currently regulated fares in real terms. A large expansion of rail services will make an important contribution to reducing future levels of congestion on the roads.

This bigger and better railway will be created by a number of different organisations working to shared aims in a true public and private sector partnership:

- **The Strategic Rail Authority (SRA)**, already working in shadow form, will decide what quality and capacity improvements are needed. It will procure them, for example, from train operators when replacing existing passenger franchises or by

contracting with Railtrack for new infrastructure. The SRA will monitor delivery of these obligations on behalf of passengers and taxpayers, and be empowered to take swift action if train operators are found wanting. The SRA will work to directions and guidance from Ministers to provide a bigger and better railway.

- **The Rail Regulator** will set the level and structure of the charges that Railtrack can make for access to the network. The Regulator will ensure that the company does not abuse its monopoly position and enforce its network licence conditions. Under the Transport Bill, the Regulator will be subject to general guidance from Ministers and have a duty to facilitate the SRA’s strategies. Otherwise the Rail Regulator is independent.
- **Railtrack plc** is the private sector owner of the track and stations and so will have the key role in expanding the network to meet the obligations of its licence. The SRA has, however, reserved its right to secure publicly funded expansion through third parties where this would offer better value for money and would not impair the safety and operational integrity of the network.
- **Passenger and freight operators** will continue to provide train services. In the case of passenger services, these will increasingly be via new, longer franchises which will demand higher standards and more investment, for example in new rolling stock. In the case of freight operators, improvements in operating efficiency and facilities, together with better use of the network, will be the objective.

Total Government funding over the period of the Plan will be £29 billion, including:

- £12 billion of revenue support for passenger and freight train operators
- a new £7 billion Rail Modernisation Fund, ... which will lever in private capital to secure the biggest rail expansion programme for more than a century
- £4 billion of capital payments for renewal schemes, notably the West Coast Main Line ...
- £5 billion for the completion of the Channel Tunnel Rail Link and the new rail hub at St Pancras/Kings Cross.

Annex 2 Extracts from the DETR 10 Year Plan continued

... The outcomes we expect to be achieved over the period of this Plan include:

- a 50% growth in passenger journeys overall
- more frequent services, faster journey times and an 80% increase in patronage on intercity lines, contributing to the reduction of inter-urban road congestion
- more frequent services on commuter lines
- better cross-country network connections, for example across the Pennines and through or around London
- increased reliability and punctuality, with quantified targets to be set in the light of franchise replacement
- better integrated information for customers
- improved levels of customer satisfaction with the quality of services and of stations
- a significant increase in rail's share of the freight market to around 10% – an additional 15 billion tonne-km of rail freight, equivalent to 1 billion lorry trips in 2009/10
- a more efficient and competitive service from rail freight, benefiting businesses across the UK.

Safety improvements will reduce the risk and severity of accidents on the railway. The industry is committed to halving the annual number of accidental equivalent fatalities per million train miles before 2010.”...

Monitoring and Review

The Plan also outlines how the Government intends to monitor progress on its implementation, including the use of targets and indicators. Targets are presented for roads, railways, air quality and safety. Examples of these targets are shown below. The projected growth in rail travel will contribute to a reduction in road congestion, improvements in air quality and reduced greenhouse gas emissions.

“...The Plan sets out a better future for transport over the next ten years. It provides resources for improvements which will be delivered through the actions and decisions of many different agencies, public and private. But it will need to be followed through.

We will monitor closely the performance of the agencies involved in delivering the objectives and

outcomes set out here and take regular stock of progress... Targets and indicators, against which progress will be measured, are summarised [below]. It is likely that in some cases these will be supplemented by more specific targets set at regional or local level, or for particular agencies.

...The Department's objective is to promote modern and integrated transport for the public and industry and to reduce the impact of transport on the environment.

The Plan will deliver or contribute to the achievement of the following targets in the DETR's Public Service Agreement:

- to reduce **road congestion** on the interurban network and in large urban areas in England below current levels by 2010 by promoting integrated transport solutions and investing in public transport and the road network
- to increase **rail** use in Great Britain (measured in passenger kilometres) from 2000 levels by 50% by 2010, with investment in infrastructure and capacity, while at the same time securing improvements in punctuality and reliability
- to improve **air quality** by meeting our National Air Quality Strategy targets for carbon monoxide, lead, nitrogen dioxide, particles, sulphur dioxide, benzene and 1-3 butadiene
- to reduce **greenhouse gas** emissions by 12.5% from 1990 levels, and move towards a 20% reduction in carbon dioxide emissions by 2010
- to reduce the number of people killed or seriously injured in Great Britain in **road accidents** by 40% by 2010 and the number of children killed or seriously injured by 50%, compared with the average for 1994-98.”...

Other 10 Year Plan targets and indicators include:

- “...a significant increase in **rail freight's** share of the freight market by 2010. We believe it ought to be possible to increase market share to 10% by 2010 from 7% now – an 80% increase in rail freight – provided the rail freight companies can deliver improvements in performance and efficiency.

We will monitor **rail passenger satisfaction**.”...

July 2000

Annex 3

Introduction and Summary from the Regulator's final conclusions on the Periodic Review

Introduction

1.1 In July 2000 the Regulator published his draft conclusions on the periodic review of Railtrack's access charges for franchised passenger train services. In doing so, he reiterated the need to create an environment which protects the interests of users and funders whilst creating appropriate incentives for Railtrack to deliver increased investment and improved performance.

1.2 The Regulator received extensive responses to the draft conclusions from Railtrack and its contractors, as well as passenger and freight operators and funders (see Appendices A and B). He also held a further formal hearing with Railtrack (with SSRA in attendance as an observer) where it was given the opportunity to present its case to the full ORR Board. In addition, the Regulator has discussed his draft conclusions with the Shadow Strategic Rail Authority (SSRA), the Passenger Transport Executive Group (PTE), the Association of Train Operating Companies (ATOC), the Health & Safety Executive (HSE) and individual contractors, PTEs and operators. All parties have contributed constructively to the process and have provided valuable input to the periodic review.

1.3 The draft conclusions highlighted the role of the Regulator's duties under section 4 of the Railways Act 1993 and section 21 of the Channel Tunnel Rail Link Act 1996. In finalising his conclusions, the Regulator is satisfied that he has discharged these duties and taken account of the responses to the draft conclusions. He reiterates the point made in his draft conclusions that he has discharged the duty to take account of the need to protect all persons from dangers arising from the operation of railways including any advice given to him by the Health and Safety Executive. For example, this has implications for the level of safety related expenditure which Railtrack will need to finance. Safety is paramount and well managed companies will be both safe and efficient.

1.4 This document sets out the Regulator's final conclusions on the periodic review and the process for implementing these conclusions. In line with the

draft conclusions, it is divided into four parts:

- Part I describes the Regulator's conclusions on Railtrack's overall revenue requirements;
- Part II describes the proposed incentive framework including the new structure of charges, the arrangements for defining, monitoring and incentivising delivery of baseline outputs and the enhancement framework;
- Part III describes the proposed approach to the remuneration of enhancements to the West Coast Main Line (WCML); and
- Part IV describes the process for implementing these conclusions and the possible implications of a reference to the Competition Commission.

1.5 Further details of the assumptions underlying these conclusions are contained in appendices in this volume. Volume II contains further appendices comprising the formal review notices, the template schedules to the track access agreements and the new charging tables.

Summary of Part I: Revenue requirements

1.6 Railtrack's overall revenue requirement from access charges for franchised passenger train services for the next control period is built up from the following components:

- the level of expenditure required to operate, maintain, renew and enhance the network to deliver the baseline outputs;
- plus the required return on the company's assets – referred to as the Regulatory Asset Base (RAB); and
- minus the projected income from other sources which are included within the single till (stations, property, freight, open access and other).

Expenditure requirements

1.7 In the light of new information since July 2000 and other responses to his draft conclusions, the Regulator has made a number of modifications to those conclusions:

- further allowance has been made for additional activities required to operate, maintain and renew the network over the next five years – this increases the present value of Railtrack's overall revenue requirements by £272 million over the period; and

Annex 3 Summary Regulator's final conclusions continued

- the assumed rate of efficiency improvement has been reduced – this increases the present value of Railtrack's revenue requirements by £230 million over the period.

1.8 The main areas of additional activity relate to the level of maintenance and operating expenditure including, for example, additional maintenance costs associated with the introduction of the Train Protection Warning System (TPWS).

1.9 With regard to the scope for efficiency savings, the Regulator remains of the view that there is substantial scope for improved efficiency. Since the publication of his draft conclusions, however, he has given further consideration to the risk that real input prices faced by Railtrack will increase over the next few years due to the increased activity in the construction sector. In particular, he recognises that the rate of investment in enhancements to the railway is likely to put significant upward pressure on Railtrack's costs and that this will tend to reduce the net cost reductions which can be achieved in the short term.

1.10 The Regulator has therefore assumed net efficiency savings of 2% in the first year, 3% in the second year, 4% in years three and four and 5% in the final year of the next control period, (this compares with assumed savings of 3%, 4%, 4%, 5%, 5% respectively underlying the draft conclusions). These savings are net of any increase in real input prices due to increased activity and this implies an underlying efficiency improvement of 17% by the end of the period or total savings of 8% over the period as a whole. Compared to the draft conclusions, the simple average annual net efficiency improvement is reduced from 4.2% to 3.6%. Of more relevance, however, the equivalent constant annual rate of net efficiency improvement is reduced from 3.8% to 3.1%. Given the broad range of evidence which the Regulator has assessed during the course of the periodic review, he is satisfied that these savings are challenging but achievable.

1.11 The resulting expenditure projection for the

next five years is £14,874 million which represents a significant increase over the level assumed in the draft conclusions (£14,256 million). However, it remains over £1 billion less than the amount claimed by Railtrack (after adjusting for expenditure which is included in the RAB).

Regulatory Asset Base

1.12 The Regulator's assumed RAB for the beginning of the next period is £5,515 million. This is £405 million more than assumed in the draft conclusions (£5,110 million) and £1,345 million less than Railtrack's proposed value (£6,860 million). This value comprises:

- an uplift of 15% on the initial value of equity, which is in line with the draft conclusions and implies an initial value of £3,040 million;
- backlog renewals of £530 million in line with the draft conclusions;
- additional renewals of £700 million which were not anticipated when the initial price controls were established but were anticipated at privatisation, net of the tax savings arising from these additional renewals (this adjustment has been increased from £530 million in the draft conclusions because the Regulator has no longer adjusted for other changes in taxation on the basis that these are unlikely to have been taken into account by investors at flotation);
- enhancement expenditure in the first control period of £1,365 million of which £514 million was previously classified as renewals (this includes £235 million of expenditure which has been included as a result of further information since the draft conclusions); and
- a reduction of £120 million due to under-delivery in the current control period.

1.13 The RAB at the end of the next control period also includes £1,601 million of further enhancement expenditure (including £781 million on train control systems), compared with £1,522 million in the draft conclusions. This difference arises from additional expenditure (which has been agreed with SSRA as the main funder) relating to the Incremental Output Statement (IOS) programme, modern facilities at

stations (the stations IOS) and the Corey's Mill scheme on the East Coast Main Line.

1.14 The March 2006 value is therefore £7,116 million compared to £6,632 million in the draft conclusions. These changes increase the present value of Railtrack's revenue requirements by £152 million over the next control period.

Cost of capital

1.15 The draft conclusions assumed that Railtrack's real pre-tax cost of capital was 7.5%, at the top of the range proposed in the December 1999 periodic review document. However, the Regulator emphasised that his final conclusions on this matter would have regard to the Competition Commission's conclusions in relation to Mid Kent Water Plc and Sutton and East Surrey Water Plc. In considering the relevance of these conclusions, it must be recognised that the appropriate assumption for the cost of capital depends on the specific circumstances of the case and that a substantial element of judgement is required in applying the relevant evidence to a particular case.

1.16 In considering the appropriate value for the cost of capital, the Regulator has discharged his duties including the duty not to make it unduly difficult for Railtrack to finance its relevant activities. He has therefore taken account of Railtrack's risk profile relative to that of other utilities and has concluded that this implies a range of 6.9% to 8.2% for the cost of capital. This compares to a range of 8.1% to 8.7% proposed by Railtrack and is significantly higher than the corresponding range allowed in recent reviews of other regulated network businesses. The Regulator has also had regard to the fact that Railtrack will need to raise substantial new debt and/or equity finance in order to deliver the planned investment and has concluded that these factors mean that the allowed rate of return should be set towards the top end of this range.

1.17 The Regulator has therefore concluded that Railtrack's revenue requirements as part of the periodic review should include a real pre-tax rate of return on the RAB equal to 8%. This implies a base

return of £441 million per annum and increases the present value of Railtrack's overall revenue requirement by £136 million compared to the draft conclusions.

Single till income

1.18 The projected income from stations and other single till items over the next control period is £3,442 million compared to the assumption in the draft conclusions of £3,352 million. This reduces the present value of Railtrack's revenue requirement from franchised track access charges by £72 million over the next control period. The main source of this difference relates to the inclusion of additional stations income within the single till projections.

Baseline revenue requirements

1.19 Table 1.1 below compares the Regulator's assumptions on the key building blocks with Railtrack's latest assumptions.

1.20 Compared to the draft conclusions, the present value of Railtrack's revenue requirements relating to the next control period is increased by £718 million. However, having regard to his statutory duties, the Regulator has concluded that:

- £502 million of this additional revenue requirement should be funded through an increase in the March 2006 RAB rather than through increased charges over the next five years (given the assumed cost of capital, the 2006 RAB is therefore increased by £738 million);
- in the light of the SSRA's preference for a further increase in the level of grants relative to access charges, part of Railtrack's overall revenue requirements should be funded through grants of £4,700 million relating to the next control period (an additional £855 million compared to the July 2000 draft conclusions); and
- fixed track access charges for franchised passenger train services should start at a lower level than they would otherwise have done and then increase by 5% per annum in real terms (i.e. RPI+5).

1.21 The implications of these conclusions are shown in Table 1.2 below. This shows that the base

Annex 3 Summary Regulator's final conclusions continued

Table 1.1: Key assumptions

<i>1998/99 £ million</i>	<i>ORR October 2000</i>	<i>Railtrack September 2000</i>
Cost of capital (pre-tax real)	8.0%	8.1-8.7%
March 2001 RAB	£5,515 million	£6,860 million
Net CP2 RAB enhancements	£1,601 million	£1,700 million
Efficiency (constant equivalent)	3.1% per annum	2% per annum
CP2 allowed expenditure	£14,874 million	£16,069 million
Stations and other single till income	£3,442 million	£3,522 million

level of track access charges for franchised passenger train services will reduce by 11.2% in 2001/02, then increase in real terms such that charges in the final year are 6.5% higher than in the current year. In the absence of grants, these charges would increase by 34.5% in the first year and by the end of the period charges would be 62% higher than in the current year.

1.22 The Regulator believes that the outcome of the periodic review will minimise the impact on the Franchising Director's (SSRA's) financial position while not making it unduly difficult for Railtrack to finance its relevant activities. He believes that this will place Railtrack in a strong position to raise new debt and equity finance to enable it to deliver further private sector investment in the railway. In particular, it will be able to finance the baseline expenditure requirements underlying these revenues as well as substantial further enhancements and the Regulator expects that it will be able to finance the full £8 billion enhancement programme set out in its cost submission.

Summary of Part II: Incentive framework

Structure of charges

1.23 The draft conclusions proposed some refinements to the existing usage and electric traction charges to improve their cost-reflectivity. In addition, the Regulator proposed to introduce a capacity charge

equal to 50% of the estimated congestion costs arising from incremental traffic (broadly excluding the component of these costs which arises from the societal element of the performance incentive rates). The Regulator proposed to compensate Railtrack for the remaining congestion costs associated with increased traffic through an adjustment to the RAB following the next periodic review. Similarly, the Regulator proposed that the volume incentive should be introduced through an adjustment to the RAB rather than a variable charge to operators so that Railtrack is incentivised to be more responsive to customers whilst avoiding any impact on the marginal incentives faced by operators.

1.24 The proposed capacity charge and the volume incentive were intended to replace the negotiated congestion charge and the negotiated share of net benefit which have been included in the fixed charges in supplemental access agreements during the current control period. These changes were therefore intended to increase the transparency and predictability of the charging regime. Following the publication of the draft conclusions, the Regulator commissioned Halcrow Rail to assess the impact of the proposed structure of charges. They concluded that the new charging structure accords more closely with best practice in economic pricing.

1.25 In the light of the responses to his draft conclusions and further discussions with Railtrack, operators and funders, the Regulator confirms the

broad proposals in his draft conclusions. The resulting template Schedule 7 is contained in Appendix O and the associated charges will be contained in common charging tables. The revised usage and electric traction charges are set out in Appendices P and Q. Finally, the methodology for calculating the capacity and fixed charges is set out in Appendices F and G respectively and the resulting charges will be sent to the parties shortly. Subject to verification that the established methodology has been applied correctly, the Regulator expects these charges to be incorporated into the new access agreements. The new fixed, usage and electric traction charges will apply from April 2001 and the capacity charge will be introduced in May 2002.

1.26 Given these changes, the variable charge paid by operators of existing franchised passenger train services will increase from around 8% to 20% of aggregate track access charges (although this proportion will decline as the fixed charge increases). However, given the proposed adjustments to the RAB, the underlying variability of charges to Railtrack will be greater.

The performance and possessions regime

1.27 As indicated in the draft conclusions the key changes to the performance regime increase the incentive rates (by approximately 100%) reflecting the increased societal rates proposed by the SSRA and recalibrate the performance points (benchmarks) to the expected level of performance over the next control period. The arrangements have also been simplified to a significant degree to improve the transparency and effectiveness of the regime. The revised payment rates and benchmarks have been sent to the parties and, subject to verification of the input assumptions and the calculations, the Regulator expects that these values will be implemented from April 2001. The Regulator has also provided for a supplementary access charge in Schedule 8 to compensate for the expected cost of the passenger charter arrangements.

1.28 The performance points (or benchmarks) in the new template Schedule 8 have been rebased on the

assumption that Railtrack achieves the established target reduction in Railtrack-caused delay of 7.8% (5% plus catch-up of last year's shortfall) for the current year plus 2.5% per annum over the next control period. Adjusting for the effect of assuming constant TOC-on-TOC delay, means that the improvement in the overall performance points (which include both Railtrack-caused delay and TOC-on-TOC delay) are reduced to 6.1% and 1.9% respectively. In effect, this approach provides Railtrack another year to catch up the shortfall from 1999/2000. If it fails to do so, however, this will result in an automatic and pre-determined financial penalty under the contractual incentive regime. Alternatively, if it exceeds these levels, it would receive additional revenues from the regime. For example, if Railtrack fails to achieve any improvement in performance in current year (i.e. a shortfall of 6.1%) and this is not caught up next year, this would result in an automatic reduction in revenue of £22 million in 2001/02 (£3.6 million per percentage point). It would incur the same penalty in each year until this shortfall is recovered.

1.29 The Regulator also confirms his proposal to modify the existing possessions regime to remove the free possessions allowance and to provide the same compensation to operators regardless of whether the possessions arise from enhancements or renewal of the network. However, the discounts for early notification which were proposed in the draft conclusions have been reduced and the amended timetable regime (which is currently in Schedule 8) has been incorporated into Schedule 4. The Regulator has also provided for the expected cost of compensation for possessions to be recovered through a supplementary access charge within this schedule rather than through fixed charges.

1.30 Finally, the detailed drafting of both Schedules 4 and 8 has been modified in the light of responses from consultees and the resulting template regimes are contained in Appendices N and S.

Station charges and the property allowance scheme

1.31 The draft conclusions presented the results of

Annex 3 Summary Regulator's final conclusions continued

Table 1.2: Annual revenue requirements

1998/99 £ million	2001/2	2002/03	2003/04	2004/05	2005/6	Total
Revenue supported by grants	826	867	910	956	1,004	4,563
Base track access charges ⁽¹⁾	1,603	1,696	1,768	1,844	1,925	8,836
% change ⁽²⁾	-11.2%	5.8%	4.2%	4.3%	4.3%	–
Total	2,429	2,563	2,678	2,800	2,929	13,399
% change	34.5%	5.5%	4.5%	4.5%	4.6%	–

(1) Base track access charges include usage, traction electricity, capacity, fixed and supplemental access charges. However, they exclude the costs of the Independent Rail Safety Activity (which will be passed through on an annual basis), IOS charges (which relate to enhanced capacity) and the impact of growth (which is assumed to be self-financing)

(2) Franchised track access revenues in 2000/01 were £1,807 million.

Railtrack's modelling to allocate the long term charge between stations based on relative size and property income. Following responses from consultees and further discussion with Railtrack, operators and funders, the model has been developed to ensure that the charges for small stations are more reflective of the underlying costs as well as the value to customers. The Regulator is considering the default allocation of responsibilities for maintenance and renewal at stations as part of his review of station access conditions.

1.32 The Regulator confirms the view expressed in his draft conclusions that the broad structure of the property allowance scheme (PAS) should remain unchanged so that the benefit of outperformance is shared with the industry. He also confirms that the PAS will be extended to cover income from franchised stations. Finally, following publication of his proposed licence modification on asset disposal, he has provided for the PAS to be adjusted if he exercises his powers under this condition.

Defining, monitoring and incentivising baseline outputs

1.33 The Regulator has sought to define the baseline outputs which Railtrack is expected to deliver over the next control period. These include measures relating to the capability and performance of the network as well as measures of the condition and serviceability of the assets. He has also proposed three licence modifications to enable him to monitor

delivery of these outputs more effectively (these relate to regulatory accounts, the annual return and the appointment of independent reporters).

1.34 Although the next control period is intended to last for five years, the Regulator would generally expect Railtrack to be funded for the efficient cost of meeting additional obligations which are imposed upon it during this period (eg. additional safety or environmental obligations). The Regulator would generally expect this to be achieved through an adjustment to the RAB at the next periodic review (eg. he has proposed an automatic mechanism for adjusting the RAB to compensate Railtrack for any additional cost arising from his current investigation into broken rails).

1.35 In some cases, however, the short term impact on Railtrack's financial position may mean that charges need to be adjusted before the next review. The Regulator has therefore provided for the possibility of an interim review of access charges and he would expect Railtrack to make representations to the Regulator if it believes that there is a compelling case for such a review. The Regulator has also provided for specific interim reviews in a number of areas (e.g. relating to IOS enhancement schemes and modern facilities at stations).

1.36 The Regulator has set out the approach which he would expect to adopt for the next periodic review. In particular, he proposes to adjust the RAB to

compensate for under- or overspend on train control systems. In other areas, he proposes to increase the RAB so that Railtrack retains the benefit from unanticipated efficiency savings for a period of five years (regardless of whether they are achieved at the beginning or end of the period). On the other hand, he would also expect to reduce the RAB in the event of significant underdelivery against the specified baseline outputs in these areas. This approach should therefore provide a clear incentive for Railtrack to deliver the baseline outputs as efficiently as possible.

1.37 Given this incentive based approach to the next periodic review, failure to deliver the expected levels of serviceability and condition or the assumed activity levels would not generally need to result in enforcement action. However, if the company is seen to be falling well short of the relevant targets, this may be an indicator of serious stewardship problems, necessitating immediate enforcement action. As indicated in the draft conclusions, Railtrack has provided constructive input towards defining the relevant targets and the Regulator has sought to define more precisely the circumstances in which action would be required (i.e. the meaning of “well short”).

Enhancement framework

1.38 The Regulator expects enhancements to be remunerated at the assumed cost of capital of 8% real pre-tax. With regard to the project cost, he considers that the appropriate level of contingency will depend on the precise circumstances of the case.

1.39 The majority of schemes (by number) cost less than £100 million and the risks associated with these schemes should be relatively well understood. The Regulator considers that most of these schemes would not therefore justify contingencies in excess of 15% and that the appropriate level of contingency in each case should depend on the risk characteristics of the project.

1.40 By contrast, most of Railtrack’s projected enhancement expenditure (by value) is on schemes worth more than £100 million and the Regulator considers that, where these schemes require

enhancement to the operational railway, the level of risk is likely to be greater and more difficult to quantify. These schemes may therefore warrant a higher level of contingency. However, this is unlikely to exceed 25% except where the project represents a very large complex upgrade of an existing operational route or where Railtrack is committing to a fixed price at an early stage in the development of a project.

1.41 In either case, the Regulator would expect the required level of contingency to decline as Railtrack gains greater experience of enhancement projects.

Summary of Part III: West Coast Main Line enhancements

1.42 The Regulator has set out the way in which he proposes to establish milestones for delivery of the West Coast Route Modernisation (WCRM) in conjunction with the SSRA and Railtrack. Given the importance and the history associated with this project he has also set out the way in which he would expect to incentivise delivery of these milestones. If Railtrack fails to deliver a milestone it would be required to take remedial measures and may face penalties if it fails to implement these. However, these penalties may be added to the RAB when the outputs are delivered in full.

Summary of Part IV: Timetable and implementation

1.43 The Regulator has confirmed his draft conclusions that he must publish a review notice under the current contractual arrangements and a second review notice if the Transport Bill is enacted. He also confirms his view that the charges necessary to implement the periodic review conclusions (as set out in this document) should be made from April 2001. However, if Railtrack appeals to the Competition Commission under the new arrangements in the Transport Bill, the Regulator’s present view is that these charges should be implemented in April 2002 to minimise disruption to the industry.

October 2000

Annex 4

Periodic review: Regulator's statement on the implications of Hatfield

Introduction

1. The final conclusions on the periodic review of Railtrack's financial framework for the next five years were published in October 2000. These conclusions represented the outcome of an extensive two and a half year process to review Railtrack's expenditure requirements, the outputs it would be required to deliver, the structure of charges and incentives, and the framework for enhancements. The process involved extensive industry consultation. However, the review was completed before the tragic Hatfield derailment occurred.

2. Chapter 16 of the periodic review final conclusions recognised that while the new charging arrangements should generally be expected to apply for a period of five years, there was a need for some flexibility to deal with exceptional circumstances. The Regulator therefore proposed a new provision for interim reviews if there has been a material change of circumstances and that in consequence there are compelling reasons for doing so having regard to his statutory duties including in particular the duty not to make it unduly difficult for Railtrack to finance its relevant activities. The purpose of this statement is to explain the way in which the Regulator expects to apply this general approach to deal with the consequences of the Hatfield derailment which represents a material change of circumstances for Railtrack since the Regulator finalised his conclusions.

3. The immediate financial consequences of Hatfield are occurring under the existing contractual and regulatory framework which was established before privatisation. Railtrack has rightly acknowledged that these consequences are for the company and its shareholders to bear. Neither customers nor taxpayers will pick up the bill for this.

4. Railtrack has announced that the immediate consequences of Hatfield when combined with other factors will leave it in a materially worse financial position from the start of the second control period to that which I assumed in reaching my final conclusions. This may therefore have implications for the appropriate timing of Railtrack's revenues over the next ten years to ensure that the company is able to

finance its relevant activities. In particular, it may be appropriate to change the timing of network grants which the SRA has agreed to pay over the second control period or to bring forward grants which would have been paid in subsequent periods. But there is no question in this respect of there being any increase in the overall value of revenues including grants.

5. Once the immediate recovery from the aftermath of Hatfield has been completed, it is likely that there will be ongoing implications for the rail network, both direct and indirect, which may influence the efficient levels of activity or outputs and hence expenditure during the second control period. These ongoing implications may constitute a material change to Railtrack's financial and operational circumstances which could bring forward the need for an interim review, once the full implications have been properly assessed. However the Regulator considers that it would not be possible to begin to assess these implications or the need for an interim review in this respect as least until the immediate issues have been dealt with and the implications of the TTCI report into broken and defective rails have been assessed.

6. In these circumstances, the Regulator would consider sympathetically an application by Railtrack for an early interim review to examine the appropriate timing of Railtrack's revenue requirement. He would also consider sympathetically an application by Railtrack for a subsequent interim review during the second control period to consider the ongoing impact of Hatfield on its efficient expenditures and outputs in the second control period. In either case, however, Railtrack would need to demonstrate that:

- the effects in terms of additional expenditure requirements or financing costs were material; and
- the impact on Railtrack's financial position would, without further regulatory action in the second control period, make it unduly difficult for the company to finance its relevant activities.

Coverage of interim reviews

7. An early interim review would ensure that the immediate consequences of Hatfield on the

company's financial position were appropriately addressed in the timing of Railtrack's revenues, particularly in relation to the first part of the second control period, having regard to the Regulator's statutory duties. Such a review would not reassess the appropriate level of Railtrack's revenue requirements (including the March 2001 RAB, the expected level of expenditure over the second control period or the cost of capital). It would therefore be confined to the two questions of (a) whether and how Railtrack receives funding spread over the second control period or must wait until after 2006 (i.e. a question of cashflow only) and (b) the mix between access charges and grants. It would not concern any question of any alteration of the level of funding. As indicated in the periodic review documents, the Regulator would expect to assess his proposals against the relevant financial indicators that would be required to maintain a flat A credit rating.

8. Any interim review of the longer term implications of Hatfield would consider the impact of changes, both direct and indirect, to efficient expenditure and revenue requirements over the entire five year control period, including the costs of additional obligations incurred up to the time of the review. It would, however, principally focus on examining the impact of those aspects of the company's operations which were affected by changes in circumstances arising from the ongoing implications of Hatfield. The areas which might be covered would include:

- changes to maintenance and renewal activity and therefore efficient capital and operating expenditure requirements, particularly on track;
- any implications for the achievable rates of improvement in operational performance, efficiency, and possession costs;
- any other effects such as necessary and appropriate changes to wider asset management policies triggered in whole or in part by the events of Hatfield; and
- any implications for Railtrack's revenue requirements, for the associated level of track access charges over the second control period and for the value of the Regulatory Asset Base (RAB) at the end of that period.

9. Such an interim review would therefore be limited in scope and would be incremental to the Regulator's final conclusions on the periodic review. The Regulator would need to exercise judgement as to the extent to which any increases in cost were the result of the relevant changes in circumstances or had been anticipated at the time of the periodic review (and therefore reflected within the expenditures on which the Regulator has already expressed his views in the final conclusions).

10. Chapter 16 of the periodic review final conclusions contains provisions for interim review of narrowly defined elements of the periodic review settlement where further work is needed to finalise long term arrangements. It would be for consideration whether any such review would be combined with that for the longer term implications of Hatfield.

Timing and process

11. As indicated in the final conclusions on the periodic review, the Regulator would expect Railtrack to submit any application for an interim review with representations setting out why it believed the case for such a review to be compelling. In making these representations, he would expect Railtrack to have regard to the terms of the interim review provisions, the wider policy considerations referred to in Chapter 16 of the final conclusions to the periodic review and the further considerations referred in this statement.

12. Following an application for an interim review into the long term implications of Hatfield, the Regulator would undertake an initial consultation with relevant industry parties including funders. Subject to consideration of the responses to this consultation, the Regulator would expect to initiate the interim review process set out in Part 7, Schedule 7 of the template track access agreements. The Regulator would expect provisional conclusions of this interim review to be completed within six months of the application. These conclusions would be subject to consultation before finalisation.

13. A similar process would apply to an early interim review into the appropriate timing of Railtrack's

Annex 4 Regulator's statement on the implications of Hatfield continued

revenue requirements. In this case, however, the Regulator would expect to complete the review and to seek views from consultees within a shorter period of time. Provided that Railtrack makes an application for interim review in good time, he would expect to be able to implement his conclusions before the first grants are due to be paid in October 2001.

14. It would for Railtrack to provide relevant documentation to support its case through appropriate submissions and supporting quantification, which demonstrated the basis for the purported changes in costs and revenues in question.

15. The implementation of any proposed modifications arising from any interim review would, under the provisions of the Transport Act 2000, be subject to Railtrack's right to object to the Regulator's conclusions, and the Regulator's ability to refer the issues to the Competition Commission.

January 2001

Annex 5

Executive Summary of the Scottish Executive's strategic priorities for rail

Consulting on priorities

1. We want all involved in the provision of rail services, together with customers and other stakeholders, to contribute to the Scottish Executive's thinking on strategic priorities for the development of Scotland's passenger railway over the next 15-20 years. By having a clearer idea of the expectations and aspirations of others we will be better placed to draft effective directions and guidance to the Strategic Rail Authority for the new Scottish franchise. The publication of this consultation paper marks the start of that process.

Setting out the Scottish Executive's strategic objectives and functions

2. **In Section 1** we outline our vision and objectives for Scotland's passenger railway. We want it to play a full part in an integrated transport system, attract more customers and benefit from increased investment.

3. We expect the rail industry in Scotland to make a significant contribution to the sustainable development of Scotland's economy and communities; to help reduce road congestion; to improve accessibility to the transport system; and to assist the development of viable rural communities.

4. Scotland's railways are an integral part of the GB network. Most aspects of the railway network are the responsibility of the UK Government. Nevertheless, the Scottish Ministers have important devolved powers that will have a significant impact on the provision of passenger rail services in Scotland. These will underpin the Scottish Executive's relationships with stakeholders in Scotland's railways such as local authorities, the Strathclyde Passenger Transport Executive (SPTE), the Strategic Rail Authority (SRA), and the rail industry itself.

5. We want a new Scottish passenger rail franchise to deliver improved benefits for passengers. To secure these benefits the Scottish Executive will work very closely with the SRA to ensure that our directions and guidance are translated by the successful bidder into a practical, committed and cost effective programme of investment.

Establishing priorities – attracting more people to rail

6. **In Section 2** of the paper we propose a number of ways in which the railways could increase numbers of passengers in support of the Scottish Executive's aim to attract more people to public transport.

7. If more people are to be attracted to Scotland's passenger railways then a primary objective for the Scottish Executive must be to secure sustained and increased investment by the rail industry in new, safe, fast, and more comfortable trains. This needs to be matched with a programme of infrastructure improvements to allow for increased capacity and optimum performance.

8. In Scotland's urban areas the principal focus for investment in new trains and infrastructure needs to be increasing frequency and/or lengthening trains on routes serving key, increasingly congested transport corridors.

9. To help meet the Scottish Executive's commitment to improve accessibility to rural communities we want to secure reductions to journey times on routes to those areas.

10. A number of urban areas in Scotland are poorly served by rail. We are keen for the rail industry to work with stakeholders to identify opportunities for developing rail links that generate economic and social benefits.

11. These are our principal operational priorities. The rest of section 2 identifies a number of other enhancements we would expect the rail industry to deliver in pursuit of securing additional demand. These include service performance improvements, especially punctuality and reliability, and improved quality of service, particularly improved comfort and simplified ticketing. Passengers also need to have better access to up-to-date and reliable information, and operators need to market their services in order to attract customers.

12. Safety on the railway network is paramount. Scotland's railways will of course be subject to the same rigorous safety standards as the rest of the GB network. In addition the paper suggests how the security of stations and of passengers could be enhanced.

Annex 5 Scottish Executive's strategic priorities for rail continued

Rail playing its part in an integrated transport system

13. **In section 3** we identify how Scotland's passenger railway can contribute to the development of an integrated transport system.

14. As a priority, we propose that the rail industry should develop opportunities for expanding passenger services between and within Scotland's urban centres on those transport corridors already experiencing road congestion, and on those that are likely to see road traffic volumes grow significantly.

15. Our proposed objective for tackling the peripherality of many rural communities and regional centres is for the rail industry to deliver reduced journey times on relevant routes where sufficient benefits can be generated. This should be augmented by efforts to broaden the customer base and explore opportunities for enhancing the rural network. There are additional environmental benefits from mitigating road traffic growth, since this can make an important contribution both to improving air quality and reducing carbon dioxide emissions – one of the main causes of human induced climate change.

16. In support of social justice we propose that the railways should explore ways of widening the customer base to include those on lower incomes, and be better equipped to meet the needs of customers who are more likely to be excluded, such as the disabled, older people, women and young people.

17. In terms of assisting with the development of a seamless journey we urge the rail industry to promote more effectively initiatives such as through ticketing, a single transport information base, and inter-modal interchange.

18. Section 3 concludes with a number of proposals on how the development of Scottish passenger railways can best be integrated with the roles of local authorities and SPTE, and with the activities of cross-border train operating companies and rail freight operators.

19. We urge collaboration and partnership with local authorities and SPTE to ensure that rail can assist with the effective implementation of local and

regional transport policy. The development of any one group of rail services (Scottish, cross – border and freight) must not jeopardise the securing of improvements by the other two.

Securing investment and value for money
20. **Section 4** begins by setting out the background to securing public funding for passenger rail services in Scotland. Claims for rail will have to be set alongside other transport priorities. These, in turn, will have to be considered alongside priorities across other portfolios.

21. Rigorous appraisal techniques will have to be applied before any of the various forms of public support can be made available. Only those rail projects that can demonstrate real benefits and value for money will receive support.

22. Public funding alone will not meet the costs of improving Scotland's passenger railway. New and innovative methods of leveraging in private investment will have to be explored. New approaches for developing railways will have to be considered involving the public sector, the rail industry and other private sector stakeholders.

November 2000

Annex 6

Extracts from The Assembly vision for rail services in Wales and the Borders: a guide for franchise bidders

1. Introduction [not included]

2. Setting the Context: What role does Rail play within Assembly Transport Strategy?

2.1 One of the central objectives of the Assembly's strategic plan is to develop and maintain transport networks and infrastructure to widen choice and opportunity for affordable and convenient transport options for individuals, businesses and communities. The Assembly is supporting the economic regeneration of Wales, and a particular concern is to improve links from more deprived communities, such as those in the Valleys and remote rural Wales, with the emerging opportunities in the larger urban centres. If the Assembly is to succeed in improving accessibility to work, leisure and welfare facilities, one of the key elements it needs to get right is the way it supports the growth of the rail network across Wales.

2.2 The rail network is regarded not just as having a functional role to support people moving within and between communities. The stations and services which a community has can define the way it sees itself and is seen. Attractive facilities, good services and high quality rolling stock can attract businesses and tourists to an area, support equality of access, can promote civic pride and raise expectations, as well as encouraging people from their cars. Poorly maintained and low quality facilities have the opposite effect, and can even encourage increased crime.

2.3 For that reason, the Assembly sees that the development of a coherent network of rail services is not only about ensuring increased service frequency. It is also about providing quality facilities which complement the needs of the community, and providing the routes and interchange points with other transport modes which fit local transport aspirations for addressing congestion and ensuring accessibility and are consistent with wider planning and environmental objectives. This holistic spatial approach to developing Assembly aspirations for the new single franchise is aimed at levering in added value for the community from each service improvement.

2.4 The rail network in Wales is one key element to underpin the Assembly's development of a coherent transport network. We expect it to act like a spine across the country linking key urban centres, from which complementary bus routes and other transport modes can fan out. A longer franchise, and a more coherent network of routes, is expected to deliver tangible improvements in terms of investment and services. Improvements in quality of the rail network will depend on capital investment and the Assembly is playing its part in this in funding some of the costs of modest infrastructure improvement through local authorities – looking to the SSRA, train operators and Railtrack to contribute alongside us in partnership.

2.5 The Assembly has also welcomed the sSRA commitment to supporting wider integration between other transport modes and rail. We will expect all franchise bidders to demonstrate within their bids how their proposed services will link to other public transport modes. The new franchise will also give the successful operator responsibility for station management, and the Assembly will expect that this should include improvements to passenger comfort and information, including improved interchange facilities with other modes of transport, including private transport – where initiatives such as Park and Ride schemes can encourage modal shift and reduce local congestion.

3. Core Expectations

3.1 Below are the set of core expectations for the new franchise. They represent the realistic minimum expectations of the Assembly, based upon the need to establish a minimum core standard across Wales, which takes account of the major demands for transport, the policy aims and investment priorities of the Assembly and the ongoing work by local authorities and other interested groups. They cover levels of service, key routes, and the passenger environment.

Level of Service

3.2 The Assembly expectation is that the new franchise will offer continual improvement in standards of service frequency, reliability and comfort

Annex 6 Extract from the Assembly vision for Wales and the Borders continued

offered to passengers throughout the life of franchise. The starting point for the franchise must be no less than the current levels of service which have been provided, and Assembly expectation is that, even in the early years of the franchise, there will be a step improvement against the current timetable provision.

3.3 The Assembly has set out in detail its frequency aspirations for each route, which were supported by the results of the rail audit conducted in November 1999. In general, the Assembly is looking for the new franchise to develop a coherent set of standards for services across Wales and the borders, so that the frequencies on any route consistently reflect demand for route and populations served. The general aspirations which emerge from the rail audit suggest that appropriate coherent standards of provision could be:

- 4 trains per hour in central urban areas;
- 2 trains per hour in travel to work regions (e.g. Heads of Valleys, NE conurbation), interurban routes (Abergavenny, Shrewsbury) and long distance links to major cities in England (Manchester, Birmingham, Bristol);
- 1 train hourly for smaller stations on mainline routes (e.g. Whitland, Abergele); and
- 2 hourly services for rural routes.

3.4 The Assembly is looking to the successful operator then to improve upon this general standard for peak hour provision, setting patterns which respond not just to commuter needs, but also to those of schools, markets and other local needs. In addition, there is an expectation of more imaginative timetabling to improve provision where rolling stock or capacity may be restricted, for example by exploring the provision of alternate fast and stopping services along sections of line or providing shuttle services at the urban ends of rural lines such as the Heart of Wales Line.

3.5 The Assembly recognises that the development of the single franchise will offer greater operational flexibility to the successful operator, particularly given the reduction in competition of key rail paths. On that basis, we expect clockface timetabling for all routes, and for service coverage on major routes to be

extended to ensure regular service provision between 06h00 and 23h00 Mon-Sat. Tourism is a key contributor to the Welsh economy, and on that basis, the Assembly aspiration is also for greater similarity than is currently available between Sunday and weekday services both in terms of service frequency and coverage.

3.6 Finally, we expect the successful operator to work with bus operators, local authorities and community transport providers in Wales, as well as other rail operators, to develop a coherent policy on setting times for connections, and provision for delayed or missed services.

Route Strategies

3.7 The Assembly aspirations are for a step change on all routes. However, there are some specific routes where Assembly investment in infrastructure is expected to facilitate significant improvement in service levels within the franchise, or where the Assembly strategic approach to transport has identified particular pinchpoints within the national network which need to be addressed by the franchise holder.

3.8 Services to support **urban movement**, particularly to underpin modal shift in the journey to work from car to public transport, offer a good opportunity for development within the new franchise. The North East Wales conurbation is well placed to benefit from the ongoing works supported by the Assembly and Railtrack to raise linespeeds along the North Wales coastline, which should result in improved commuter services to Chester, Manchester, Runcorn and Crewe for these communities. The North Wales Economic Forum, a consortium of local authorities, is developing the integrated transport approach for this region, and the Assembly would expect the successful operator to work to develop these urban services in partnership with this group.

3.9 A similar situation exists in South East Wales, where a fully costed travel-to-work strategy for the Cardiff region has been developed by SWIFT (South Wales Integrated Fast Transit) consortium of local

authorities. The Valley Lines network, which will be a separate business unit within the new franchise, is central to this strategy. The Assembly is supporting significant capital investment by these local authorities to increase capacity across this network, including line upgrades on key routes and the development of capacity at Queen Street station.

3.10 The Assembly has supported initial approaches by the SWIFT local authorities to the SRA for revenue funding for services to take advantage of this new capacity – and we expect that the successful operator will wish to build further frequency enhancements as the new infrastructure comes on stream. Future investment levels through SWIFT will be dependent upon the level of increased services which are then provided on these improved routes.

3.11 Finally, the SWITCH consortium of local authorities (which cover the Swansea-Neath-Port Talbot conurbation within their scope) are also developing the rail strategy for this urban region and its links to the surrounding rural communities, and the Assembly will expect the successful operator to fully engage with this process.

3.12 As important as those services supporting journey-to-work, are the longer distance mainline services, which both provide links between key towns, and provide important hubs from which both rail and bus services to more rural areas can flow. Many of the key long distance flows in Wales are from West to East. They underline the role which Wales plays as a landbridge to Ireland, through the connection with ports, as well as connecting with key gateway stations in England. All these flows to the East require good connections with the Welsh Border line services serving Chester and Shrewsbury, as well as the provision of sensible termini which reflect the pattern of passenger flows including running forward to Birmingham, Bristol and Manchester.

3.13 Connections to the West of these key routes are also important. Services to West Wales, including to the important tourist ports of Fishguard and Pembroke, have traditionally been infrequent and rarely provide a useful link to the ferry services. Studies conducted by the South West Wales local

authorities suggest that the existing single track section does not impede the immediate provision of some additional services, and although the Assembly aspiration is for redoubling for this section, the Assembly will expect the successful operator to work in partnership with these authorities, and with ferry operators to improve provision with the existing infrastructure.

3.14 A similar challenge of ensuring good links to the West exists at Holyhead, where the Assembly is looking to Railtrack to complement across the Isle of Anglesey the linespeed improvements which are already programmed for the mainland, and to improve the port interchange facilities. The Assembly also looks for improved, more frequent links through mid Wales to Aberystwyth, commensurate with the town's importance as a key tourist and university centre.

3.15 The importance of East-West links reflect how the economy of Wales has developed to date and its interdependence upon its links with England and with Ireland for both access to jobs and to markets. However, the Assembly is also keen for transport provision to complement the developments in the economy within Wales, and for that reason, the links between North and South Wales are increasingly important. The Assembly has supported for one year an additional direct service from Cardiff-Holyhead via Wrexham, including encouraging its own staff to make better use of the train connections, and the expectation is for this improvement to be consolidated within the franchise.

Rail Environment – Quality of Passenger Experience

3.16 As important as the service frequencies and route priorities is the quality of the passenger experience, whether on a train, or waiting in a station. The single franchise offers considerable advantages to the successful operator, both through being able to pursue a common brand approach for station management, and for rolling stock provision.

3.17 The Assembly is aware of the rolling stock investments which companies have made within the existing franchises, including those which are planned

Annex 6 Extract from the Assembly vision for Wales and the Borders continued

for introduction over the coming year, and our expectation is that the new franchise operator will ensure that this provision is upheld. The Assembly is concerned that the commitment to early implementation of new safety systems, and to ensuring proper provision for disabled passengers is upheld by operators, and that these upgrades are brought forward as early as possible before the deadline.

3.18 We are then looking for a rolling programme of operator investment to ensure that appropriate rolling stock is available to support each route – whether this is comfortable short haul commuter vehicles, vehicles with appropriate catering, toilet and workspace facilities for longer trips, or those which suit tourist trips on scenic railway, examples being the new stock purchased for the Heart of Wales Line, or those which can take additional cycles. Refreshments and other passenger services on board should be of high quality, and readily available.

3.19 The Assembly expects a firm commitment to marketing of stations and station services from the new operator, working with Railtrack and other local planning authorities, ensuring that its role as a landmark within the community (particularly rural communities) is fully developed such as offering retail, post office or other essential services. There is also an expectation that stations will be safe, attractive places to wait, that the routes to the station for pedestrians, cyclists and motorists is well planned, and that adequate provision for modal interchange, whether through providing secure parking or bus interchange, or rail-bus feeder services, is available. We would wish to see a rolling programme of station upgrades so that all stations in Wales achieve accredited secure station status within the lifetime of the franchise.

3.20 Another element of the passenger environment, is the access to information. The Assembly expects fully accessible real-time information, which takes into account the needs of disabled passengers. It also looks to operators to work proactively with other transport operators and local authorities to ensure that the local community is aware of the full range of

rail services and possible intermodal connections which are available.

3.21 We would expect this partnership with operators and local authorities to extend to the development of integrated ticketing schemes. Some bus operators have already negotiated add-on rail fares, which the Assembly would hope that the new franchise operator would actively promote at stations. The Assembly has already provided funding for a pilot Smartcard project in the SWIFT region, including the provision of the appropriate rail ticket readers, and we would expect that the new franchise operator will continue involvement and development of this project both within the Cardiff area and in other regions.

3.22 Finally, given the role of the railway as a social railway, which improves accessibility, as well as an important link to give access to employment and to markets, the Assembly expects the fares structure adopted across Wales will reflect these different needs. Fares need to be market sensitive: high quality services should not automatically result in higher fares. This is particularly important to encouraging modal shift for journey to work travel, as passengers will equate rail fares only with the petrol costs of the private transport alternative, rather than the whole car costs.

4. Primary Aspirations

4.1 The Assembly's primary aspirations relate to additional service enhancements which the Assembly views as attainable, even if not in the first years of the franchise. They are typically responding to a well-defined need, which has been the subject of Assembly study, and/or supported feasibility/design work by the Assembly, local authorities or other rail industry partners.

- Vale of Glamorgan line to be reopened to passenger services, providing two stations including one at Rhoose which would connect with a bus feeder service to Cardiff International Airport. The Assembly has funded design and feasibility work for this link and expects shortly to proceed to supporting the necessary capital works. The SWIFT consortium of local authorities have put forward a

bid to the shadow Strategic Rail Authority under the Rail Passenger Partnership scheme for revenue support. We would expect this to be incorporated subsequently within the franchise provision.

- The Assembly has funded design and feasibility work for new stations at Llanharan and Brackla, and early work on provision of a new station on the Wrexham-Bidston line.
- The North Wales Coast Line is currently upgraded to 90mph working across the mainline. A Railtrack feasibility project is looking at similar upgrade work across Holyhead, and a longer term development to 100mph working. The Assembly would expect the operator to work closely with Railtrack to ensure that the benefits of this upgrade are matched with appropriate rolling stock to take advantage of all the new improvements.
- The Assembly is looking for additional service frequency to be achieved for the North East Wales conurbation, through the redoubling of the Wrexham-Chester line.
- The Assembly is looking for doubling of service frequency on the Cambrian line from operators. The Assembly has been in discussion with the local authority concerned about part funding necessary improvements to track and signalling at Dovey Junction and Machynlleth.
- The Assembly is supporting improved facilities at stations, which we would expect would be complemented by additional input from the successful franchise operator. In particular, funding has already been allocated to provision of basic facilities for 12 stations on the Fishguard-Carmarthen line, Llanelli, Barry Port, Bridgend, Pembrey, Hawarden, Penyfford and Shotton; with CCTV for Llansarmlet and Bangor.
- The Assembly is supporting enhanced intermodal facilities (e.g. bus/rail, Park and Ride, improved access) at Haverfordwest, Milford Haven, Port Talbot, Neath, Swansea, Merthyr, Wildmill, Pencoyd, Aber, and Caerphilly. We expect that the successful operator will develop partnerships with local authorities and bus operators to fully exploit the potential of these new facilities.

5. Other Aspirations

5.1 The shadow Strategic Rail Authority has asked train operators to prioritise their proposals including secondary aspirations. The Assembly would encourage operators to take note of the following proposals where there is significant national and local community interest in the development of a scheme, but where the case for funding has been less well developed to date. We would expect the successful franchise operator to note these aspirations, and contribute to ongoing exercise to test the business case for such works so that they can be taken forward where appropriate.

- The TIGER local authority consortium is evaluating the possibility of reopening the Ebbw Vale line, and Abertillery spur to passenger services. The feasibility report commissioned by the local authority is currently awaited, but the Assembly recognises that the costs of this development are likely to be high.
- The Assembly is currently taking forward a study of options for the rail link between Queen Street Station and Cardiff Bay. This includes the feasibility of replacing the existing heavy rail link with a light rail system. As well as providing a service running at street level to the Bay development, this would also provide short distance services on the permanent way to the Valleys' communities. The sSRA, Railtrack and the current train operator are fully involved with this study and we expect the new operator to continue with the study's objectives.
- The Assembly is keen to develop new stations to serve commuters in the Cardiff/Newport travel to work area both to serve residential developments and as Park and Ride, and has identified with local authorities that further work is needed to examine the case for new stations at Magor, Caerleon and Pontrilas.

Annex 7

Executive Summary of the Mayor's Transport Strategy – Draft for public consultation

Executive summary

1. London is a great world city. It is the powerhouse of the British economy and the gateway to the UK for international investment and tourism. As the financial centre of Europe in the globalised economy, London competes with the very best in the world. Sustaining that world role, upon which the prosperity of London and, to a significant degree, the UK depends, requires world class infrastructure and a transport system which maximises the city's economic efficiency and the quality of life of its citizens. The scale and complexity of London's transport needs are on a different level to those of any other part of the UK. They are comparable only with those of other great world cities – such as New York, Paris or Tokyo. To take just one example, the London Underground alone carries roughly the same number of passengers as the entire National Rail network. The goal of this Transport Strategy is to start to equip London with the modern and efficient transport system it will need to compete on a world scale in the first decades of the 21st Century.

2. The task is immense. Over the last decade pressure on London's transport system has increased relentlessly as a result of rising population, strong economic growth and growing tourism. Yet, over the same period, the city's transport system has been starved by central Government of the investment necessary to sustain the existing system, let alone meet the challenge of rising travel demand. In consequence, the capacity, reliability and overall performance of London's transport system has fallen far behind the needs of London's economy and citizens. Traffic congestion is such that roads in central London and some London town centres are now approaching gridlock – polluting the city's air and causing misery to motorists, bus passengers and pedestrians alike. At the end of 2000 the rail system was passing through an unprecedented crisis, severely disrupting commuter travel into the city. Underground passengers face gross overcrowding on trains and at key stations, broken escalators and serious problems of unreliability.

3. London's transport crisis harms business efficiency, threatens to undermine the city's competitive position in the world and worsens the quality of life of Londoners. Without vigorous action, all of these problems are set to increase, as rising population over the coming decades and the goal of growing economic prosperity put more pressure on the system.

4. The Transport Strategy coincides with four factors which make it possible to begin to resolve London's transport crisis:

- restoration of democratically accountable government for the city, and the creation of the office of a directly elected Mayor, provides a democratic mandate for the strong decisions necessary to address the crisis of the transport system, and the Mayor has made this his first priority;
- the Mayor's Transport Strategy and integration of London's transport services through Transport for London allows a unified and integrated approach to the Capital's transport system;
- the introduction of world class management with a proven track record to lead Transport for London; and,
- the allocation by Government of a level of financial resources that begins to be able to address the prolonged problem of under-investment, with possibilities for further resources to be generated.

5. The possibilities therefore exist to tackle London's most serious problem, transport. However, without strong, centralised and coherent action along the lines proposed in this Strategy, the inadequacies of the transport system will continue to impair economic growth and reduce the quality of life for London's population. Muddling along or an uncoordinated approach will be entirely insufficient to solve the scale of problems that exist. That is why the return of democratic regional government to London must be accompanied by the mobilisation of the necessary resources, management expertise and political will to make good the huge backlog of investment which has built up and, at the same time, plan the transport

expansion necessary to meet London's needs as the financial capital of Europe into the 21st Century so that it can continue to play its role as a decisive part of the UK economy.

6. London's new government's first priority, outlined in this Strategy, will be to create a world class transport system which enhances business efficiency, ensures a wider spread of the fruits of economic prosperity and improves the quality of life of every Londoner. In terms of the levels of investment proposed, the Deputy Prime Minister's 10 Year Plan for transport and the Spending Review 2000 settlement share this objective and make available significant resources to achieve it.

7. London has enjoyed rapid economic growth over the last decade, although the benefits have not been evenly spread amongst Londoners. It is also experiencing a rapid increase in population. The resulting increases in travel have not been matched by the investment necessary to maintain and improve the transport system, and public transport in particular. As a result, traffic congestion and under-resourced public transport are regularly identified by the public and business as London's most pressing problems. London's transport system requires a step change improvement in quality of service, and the investment to make this possible. London's transport system must be organised around the needs of the travelling public, and the city's economy, not those of sectoral groups.

8. Achieving this requires not only overcoming chronic under-investment, but also a complete overhaul of public transport management; the introduction of the best private sector expertise; and the reshaping of operators' contracts to put the needs of London's travellers and voters first. This must be accompanied in the medium and long term by an increase in the capacity of the public transport system to relieve overcrowding, and accommodate economic and demographic growth.

9. To fulfil these tasks, which are crucial for London's future, requires the involvement and partnership of all with a stake in the Capital around a coherent plan for transforming transport. The

public sector must work hand-in-hand with business, community organisations, and all major representatives of Londoners. The Greater London Authority (GLA) and Transport for London (TfL) must work with central Government, the London boroughs, the Strategic Rail Authority and public transport operators. Londoners must influence the planning and operation of the transport system that serves them. The Strategy provides an early opportunity for Londoners and other key stakeholders to help build a consensus around creating a world class transport system for the Capital.

10. Over the next decade, as London's economy continues to develop, billions of pounds will be invested in economic development and regeneration. To build on this investment, the freight, distribution and servicing needs of business must be met. Transport investment must be integrated with, support and enhance existing businesses, developing business regions, and regeneration areas. Particular attention will be paid to the transport requirements of the new information, telecommunications and media based industries that are at the core of the new economy. The needs of the different parts of London must be addressed – inner and outer, east and west, north and south – with flexible policies to meet local requirements. Better links to regeneration areas will be planned, for example in the Thames Gateway, to provide an underpinning for wider economic prosperity.

11. The central objective of the Transport Strategy is to increase efficiency and quality so as to create a world class transport system for the Capital.

The ten key priorities are:

- reducing traffic congestion, particularly in central London and London town centres;
- overcoming the backlog of investment on the Underground so as to safely increase capacity, reduce overcrowding, and increase both reliability and frequency of services;
- making radical improvements to bus services in London, including overcoming unreliability and slow journey times;

Annex 7 Executive Summary of the Mayor's Transport Strategy continued

- better integration of the National Rail system with London's other transport systems to facilitate commuting, reduce overcrowding and move towards a London-wide, high frequency 'turn-up-and-go' metro service;
- facilitating car travel in outer London, whilst developing and promoting the alternatives of public transport, walking and cycling so that the proportion of trips made by car is reduced;
- supporting boroughs' local transport initiatives, including improved access to local town centres and regeneration areas, walking and cycling schemes, safer routes to school, road safety improvements, better maintenance of roads and bridges, and improved co-ordination of streetworks;
- making the distribution of goods and services in London more reliable and efficient, whilst minimising environmental impacts;
- bringing forward new integration initiatives to improve key interchanges, enhance safety and security, and provide much better information and waiting environments;
- improving the accessibility of London's transport system so that everyone, regardless of any disability, can enjoy the benefits of living, working and visiting the Capital, thus improving social inclusion;
- increasing the capacity of London's transport systems by major new cross-London rail links, improved orbital rail links in inner London, new Thames river crossings in east London, and new guided bus or tram projects in central, inner and outer London.

12. The Strategy will also ensure that transport is effectively integrated with land use planning and supports other key policy areas, particularly economic development and regeneration, equality of opportunity and social inclusion, health, environmental improvement and sustainability, so as to assist in improving Londoners' overall quality of life.

13. Despite its wealth, London contains many of the UK's most deprived communities. The cycle of deprivation is often reinforced by inadequate

transport links, which are an impediment in matching job opportunities and potential employees. Easy, reliable and affordable access by public transport from these communities to jobs and services is a key requirement for their regeneration.

14. A key link in the chain is a transformation in the culture of London's transport providers. Londoners and other transport users must be the prime focus. Customer satisfaction must be the prime objective of transport operators and contracts must be framed to enforce this culture.

15. Vital to this objective is ensuring personal safety and peace of mind, particularly for women using public transport and the street. The Strategy supports co-ordination of the efforts of Transport for London, the Police and the emergency services to meet this goal.

16. It will take another generation to catch up fully on the under-investment of the last generation. There is no magic wand. The first step is to break through the log jam of missed investment opportunities by overcoming the backlog of vital maintenance and renewal, particularly on the Underground, and to make clear and decisive commitments in the longer term to take forward the necessary major transport infrastructure projects to expand long term capacity, and improve reliability and efficiency. The Strategy also prioritises those immediate improvements which can deliver early gains for London's travelling public, particularly enhancing the reliability of the bus system.

17. The road network is now operating at levels of congestion which have a serious effect on the efficiency and health of the city, damage the environment and reduce people's quality of life. Further investment in a major programme of new road schemes, providing substantial additional capacity, would be environmentally unacceptable and financially unaffordable. Traffic movement in central and inner London is already severely hampered by congestion, which is economically inefficient and environmentally damaging, and congestion is growing rapidly in outer London. It is impossible either financially or in terms of

environmental consequences to develop transport in central London primarily on the basis of the private car. The Strategy seeks to address the problem by a combination of improvements in public and social transport and the introduction of a congestion charging scheme to deter unnecessary car journeys in central London.

18. In outer London, the Strategy aims to improve people's access to jobs and services by enhancing public transport, walking and cycling so that they become realistic alternatives to the car for an increasing number of journeys. At the same time, the car is and will continue to be many people's preferred means of travel for their journey, especially in outer London. The Strategy aims to make such journeys safer and more reliable whilst minimising negative environmental impacts. However, public transport must be given priority, particularly where it is the preferred means of travel, as in central London.

19. The majority of journeys in London involve using more than one means of travel. But transport providers have often only considered their specific part of the system and ignored how they should link together. The Strategy seeks a truly integrated transport system for London.

20. The Underground is the core of London's public transport system. There can be no sustained, long term improvement in transport in the Capital without tackling the legacy of years of under-investment. The consequences are evident in the unreliability of the service, the constant break downs of escalators and many other manifestations of a deteriorating system functioning far below what its potential would be under world class management, and with a proper long term programme to overcome the investment backlog.

21. In tackling this situation, the lessons of the crisis which has followed privatisation of the National Rail network must be understood. There the fragmentation of management control is widely cited as a factor undermining safety and efficiency, while private sector monopolies are able to put monopoly rents and dividends before the needs of the travelling public and adequate investment programmes. In

systems in which it is impossible to introduce real competition, as in the Underground, privatisation, by removing or weakening public accountability, may lead to deterioration of performance. Ineffectual attempts to introduce 'competition' into situations that are inherently monopolised will fragment management control, creating further slippages in quality and the inability to impose a coherent pattern on systems that by their very nature are extremely centralised. The problems that have appeared on the privatised railways will therefore be replicated if the version of a Public Private Partnership (PPP) currently proposed by London Underground Ltd (LUL) proceeds.

22. In the light of the National Rail experience, the proposal to break up the Underground into four parts, including three private sector monopolies holding contracts which bind London's elected government for 30 years, should be re-considered. The Mayor's reasons for not agreeing with London Underground's version of PPP are set out in full in Chapter 4C – *London Underground* and in Annex 2.

23. This Transport Strategy advocates retaining London Underground as a single public service system under a unified management with large-scale utilisation of private sector companies and expertise. Instead of fragmenting management control of a system which is even more intensively used than the National Rail network, the Strategy advocates recruiting the best management expertise in the world to manage a long term programme of investment which involves the large-scale deployment of private sector expertise throughout a radically reorganised but unitary system.

24. Transport for London is currently engaged in meaningful and extensive discussions with the Secretary of State. The Mayor hopes that those discussions will be successful in reaching a conclusion which promotes safe, integrated, efficient and economic transport facilities and services to, from and within Greater London.

25. The Mayor believes that these goals would be met by the programme for the rehabilitation and management of the London Underground which has

Annex 7 Executive Summary of the Mayor's Transport Strategy continued

been developed by the Commissioner of Transport for London and agreed by the Mayor as part of the Transport Strategy – outlined in Chapter 4C – *London Underground*.

26. National Rail is another crucial component of the Capital's transport system. The Strategy seeks to ensure that operators provide improved services, and that those operators which fail to meet performance targets on reducing crowding and increasing passenger comfort are severely penalised. The Strategy seeks a partnership with the Strategic Rail Authority to develop appropriate National Rail services in London into a high frequency 'metro' system geared to London's needs, and to achieve high levels of reliability and adequate capacity over the whole system.

27. Buses are too often seen as a mode of last resort. Reliability and journey times, information, cleanliness and passenger service are all in need of significant improvement. The Strategy aims to make buses once again the first choice for a greater number of journeys. For shorter journeys in central and inner London this will help to relieve overcrowding on the Underground. In outer London, buses will continue to be the primary means of public transport and will be improved to offer a real alternative to the car. The bus system has the potential to deliver service improvements relatively rapidly; the Strategy aims for a major change in the quality of the London bus system during the Mayor's first term of office. Key priorities will be improving services which offer alternatives to car travel to central London and other town centres, and support economic regeneration.

28. Besides conventional rail and bus schemes, it is also intended to bring forward new forms of public transport such as guided buses, trams and light rail.

29. To make it easier for passengers to get the most from the whole public transport system, the Strategy seeks to secure consistently easier and more convenient interchange, particularly between the Underground, rail and bus; to harmonise fares as far as possible; and to improve travel information, particularly on bus and rail services.

30. For many Londoners, walking and using public transport or public car parks are perceived as unsafe, particularly at night. The Mayor intends to provide a travelling environment which is safe and secure for all, regardless of the time of travel.

31. There are an estimated half a million people in London who find it very difficult or impossible to use public transport because of the physical constraints of the system. London's buses and black cabs could lead the way in ensuring the improved mobility of disabled Londoners. The Strategy aims to significantly improve the accessibility of London's transport system so that all Londoners, regardless of their mobility, can enjoy the benefits of living, working or visiting the Capital.

32. The Strategy advocates development of the river Thames linking together architectural excellence, tourism, transport provision and the new river crossings necessary for economic regeneration in the Thames Gateway.

33. In working to better meet the needs of business, new partnerships will be developed with the business community to ensure that its views are given a high priority, including ensuring reasonable access to business premises for services and delivery, and reviewing how best to develop freight quality partnerships that bring both greater efficiency and environmental benefits.

34. The Strategy recognises Londoners' concerns about the negative environmental and health impacts of transport, and will encourage a shift to greener, more efficient travel options, and also seek improvements to the environmental performance of all forms of transport.

35. London's transport system, under the pressure of economic growth on the one hand and under-investment on the other, has become the single biggest infrastructure obstacle to the business efficiency and quality of life of the city. Resolving this is therefore the highest priority of London's new city government. The only viable approach, from both a financial and an environmental point of view, is one where passenger traffic in central London must

primarily be served by public transport, while recognising that, even with the planned radical improvements to public transport, the car will continue to remain the main means of transport in outer London. To make this acceptable and efficient, public transport, in particular in central London, must be drastically improved and traffic congestion reduced. This will require the strong and integrated series of measures set out in this Strategy.

January 2001

Annex 8

Refranchising – Pre-qualifiers and shortlisted parties

Franchise	Pre-qualifiers	Shortlisted parties	Preferred counterparties
Chiltern Railways	<ul style="list-style-type: none"> • ARRIVA plc • The Go-Ahead Group plc • M40 Trains Limited (incumbent) 	<ul style="list-style-type: none"> • The Go-Ahead Group plc • M40 Trains Limited 	<ul style="list-style-type: none"> • M40 Trains Limited
Connex South Central	<ul style="list-style-type: none"> • Connex Rail Limited (incumbent) • GOVIA Limited • Stagecoach Holdings Plc 	<ul style="list-style-type: none"> • Connex Rail Limited • GOVIA Limited 	<ul style="list-style-type: none"> • GOVIA Limited
Great North Eastern Railway	<ul style="list-style-type: none"> • GNER Holdings Limited (incumbent) • Virgin Rail Group Limited 	<ul style="list-style-type: none"> • GNER Holdings Limited • Virgin Rail Group Limited 	
South West Trains	<ul style="list-style-type: none"> • Stagecoach Holdings Plc (incumbent) • Connex Rail Limited • FirstGroup plc • GNER Holdings Limited • Group 4 Management Services Limited • Nederlandse Spoorwegen 	<ul style="list-style-type: none"> • Stagecoach Holdings Plc • FirstGroup plc in association with Nederlandse Spoorwegen • GNER Holdings Limited 	
TransPennine Express	<ul style="list-style-type: none"> • ARRIVA plc (incumbent) • Connex Transport UK Limited • FirstGroup plc • GNER Holdings Limited • Group 4 Management Services Limited • National Express Group PLC • Serco Rail • Via GTI • Virgin Rail Group Limited 	<ul style="list-style-type: none"> • ARRIVA plc • Connex Transport UK Limited • Serco Rail • Via GTI in partnership with FirstGroup plc 	
Central Trains	<ul style="list-style-type: none"> • National Express Group PLC (incumbent) • Group 4 Management Services Limited 		
Thameslink	<ul style="list-style-type: none"> • Connex Transport UK Limited • FirstGroup plc in collaboration with Nederlandse Spoorwegen • GB Railways Group Plc • GNER Holdings Limited • The Go-Ahead Group plc in conjunction with Via GTI • National Express Group PLC • Prism Rail PLC • SJ International (subsidiary of Swedish State railways) • Stagecoach Holdings plc 		

Franchise	Pre-qualifiers	Shortlisted parties	Preferred counterparties
Wales & Borders	<ul style="list-style-type: none"> • ARRIVA plc • Connex Transport UK Limited • FirstGroup plc • GB Railways Group Plc • Group 4 Management Services Limited • Prism Rail PLC • Serco Rail • Via GTI 	<ul style="list-style-type: none"> • ARRIVA plc in association with Connex Transport UK Limited • FirstGroup plc • National Express Group PLC (which acquired Prism Rail PLC) • Serco Rail 	
Wessex	<ul style="list-style-type: none"> • Connex Transport UK Limited • FirstGroup plc • GB Railways Group Plc • Group 4 Falck Global Solutions UK Limited • National Express Group PLC • SBB Laing – a partnership between Swiss Federal Railways and John Laing Investments Limited • Stagecoach Holdings plc <p style="text-align: center;">• • • • •</p> <ul style="list-style-type: none"> • FirstGroup plc • Virgin Rail Group Limited (separate proposals for Cornwall & Plymouth branch lines) 		

13 March 2001

Building a Better Railway:

Morton sets out Strategic Agenda for Britain's Railways

The Strategic Rail Authority (SRA) today publishes its Strategic Agenda, prepared under the personal direction of its Chairman, Sir Alastair Morton.

The 52 page text of the SRA's Strategic Agenda is in three parts - the Context, the Challenges and the Agenda - as Sir Alastair and his colleagues look at the pressures and the judgements that have shaped today's unsatisfactory situation; at the issues and objectives confronting the SRA; and at the SRA's immediate agenda this year, covering four principal areas:

- Passenger franchising: The Agenda describes progress with franchise replacement and sets out clearly the next steps, including details of how the remaining franchises are to be replaced;
- Freight development, based on encouraging competition, and innovation, increasing capacity, providing more terminals and financial support to get freight off road and onto rail.
- Infrastructure enhancement, recognising Railtrack's two distinct businesses - operations and maintenance, and major projects. The SRA's role focuses on the latter and the Agenda sets out how, assisted by the Rail Modernisation Fund, the SRA will work to deliver the biggest Public/Private Partnerships in Europe.
- Ancillary but necessary developments in other areas, including better training and development of staff, building project management skills as well as more research, new equipment and information systems for passengers.

A series of quotes extracted from the Strategic Agenda is attached to this release. The document itself is published with a list of enhancement schemes and a number of annexes.

The Preface to the Strategic Agenda (attached) spells out why the SRA has good reason to present this as work in progress towards a Strategic Plan which will appear in the autumn, about nine months after the formal establishment of the SRA.

Work in Progress it may be, but today's Strategic Agenda makes very clear the broad span of the SRA's preparations to stimulate, guide and shape the development of the system. The text cannot be comfortable reading for everyone.

As Sir Alastair said today:

This document is not a call for re-nationalisation, nor for vertical integration, nor for revolutionary structural change. It is a call to the industry for a radical improvement in management, in operations, in method and performance and in service culture in the railway.

It may disappoint commentators that after 175 years of evolution, and seven years of privatisation, the perfect fix is not available in months - but it is in the nature of railways contained within a straitjacket of available rights of way to move forward in carefully planned, slowly implemented steps - or chaos will ensue.

The SRA's Strategy will be investment-led and long term, to develop a safer, better and bigger railway system, well integrated with other forms of transport."

The SRA has not only had to engage with passenger and freight train operators and overcome Railtrack's reluctance last year (but no longer) to commit to the Public Private Partnership described by the SRA as utterly fundamental to its investment-led strategy. The SRA has also had to engage with Government from the Prime Minister and, particularly, the Deputy Prime Minister down to front-line officials in the Treasury and DETR as well as with relevant agencies such as ORR and HSE; and with new devolved governments in Scotland, London

and Wales; and with local government and planning bodies across England. It has had to engage with City professionals in the development of innovative funding and it has had to foster the positive development of Rail Passenger Committees, and listen to the ultimate customer more than was usual in the past. All these in a time of great stress for the industry, out of which the SRA is asked on all sides to forge strong structures.

Summing up his presentation today, Sir Alastair said, The thesis of privatisation has been thoroughly confounded by growth, which has brought great pressure onto an ageing, under-invested system. Guided by the SRA, privatisation is now evolving into a huge Public Private Partnership. We have lift-off because we have consensus on the objectives and are working to develop detail and momentum. The SRA is engaged on many fronts: the industry is sworn to work together and with it

The workload is heavy, but the prize - a safer, better and bigger railway offering satisfactory returns on investment - is of the greatest national importance.

Notes to editors:

1. The Strategic Agenda can be read on the SRA website (see below), under 'Documents.'
2. Statutory duties of SRA
3. Franchise Replacement Programme update

Media Enquiries: SRA Press Office 020 7654 6387/6294/6339/6234

Further information and previous performance statistics can be found on the SRA website: www.sra.gov.uk