Transport for London
London Rail

London's Railways

Response to Government's Rail Review

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MAYOR OF LONDON

Executive Summary

London depends on rail to bring its employees into its business centre more than any other city in the UK. No alternative mode of transport – especially not the car – could take over the burden of carrying these people in London's historically constrained urban environment.

For London to remain a driver of the UK economy and competitive with other world cities, the city's rail system needs to have its capacity enhanced and quality of service improved, while keeping the costs of rail services affordable.

The current industry structure and limited scope of London's elected representatives to influence rail services have led to the rail industry failing to take account of the vast benefits of rail services in London. The poor quality of rail services in London is difficult to reconcile with the limited Government support in comparison to the rest of the country.

TfL believes there is scope to improve the capacity of rail services in London, the quality of these services and their affordability, by taking a new approach to key policy choices on the method of procuring enhancements and the pattern of rail services on offer.

The potential benefits can be captured through the implementation of the following **seven** specific proposals for change in London's rail services.

Elimination of revenue risk margin in TOC franchise pricing. Taking revenue risk back into the public sector by moving to a model of gross cost contracts with service specifications would reduce the cost of future franchises.

Improved delivery of major enhancements. Transferring responsibility for the procurement of these enhancements into TfL would allow use of alternative procurement methods that would result in better value for money.

Station specifications to improve quality. Improving the station environment and facilities and providing adequate security will increase the attractiveness of rail services in the London area.

Fare harmonisation. There are significant opportunities to remove discrepancies in fares for journeys of similar types by bringing rail fares within the integrated TfL zone 1-6 fare structure.

Oyster ticketing system roll-out to TOCs. Oyster card rolled out to TOCs would provide passengers with the benefit of cash-free through-ticketing on public transport. Additional benefits would include improving the customer interface at stations, reduced need for ticket windows and machines, and reduced levels of fraud.

Service pattern specifications to improve capacity. Simplified service patterns, stopping patterns and timetables on commuter routes would help increase capacity on some routes by as much as 5%.

Strategic interchanges. Improved interchange opportunities at key stations (e.g., Stratford) offer a better means of using the full transport potential of the existing network.

These proposals are modular. The most effective implementation would involve the adoption of all seven proposals, but a smaller sub-set could be identified and implemented independently.

Central to the effective provision of rail services in London must be a clear linkage between delivery and accountability to Londoners. TfL's objective, therefore, is to propose an institutional arrangement that delivers what is required to support London's economy.

TfL proposes that it be given responsibility for London area commuter services within a planning boundary that reflects the operational requirements of inner suburban services. (This London Regional Inner Suburban (LRIS) boundary is shown on the map in the Annex.) The LRIS region covers the overwhelming majority of passenger journeys in London and the South East – 69% of journeys in London and the South East start and finish in this area. Under this proposed arrangement, TfL would augment the responsibilities of its existing rail business unit, provisionally re-titled London Regional Rail (LRR).

LRR would work within the national framework set by the DfT to implement the proposals set out in this paper so as to deliver the railway that London needs. Infrastructure will remain the sole preserve of Network Rail subject to other decisions by Government. The proposals do not require TfL to override national priorities for the railways, including national policies on route utilisation.

Integrated decision making for London's transport modes will enable a joined-up approach between the planning of transport, spatial planning and economic regeneration. This key linkage between transport and land use planning will allow the benefits of new developments and regeneration initiatives to be realised more quickly.

TfL's proposal does not create additional interfaces within the industry, it strengthens and extends the existing interface between GLA/TfL and the rail industry through augmentation of GLA/TfL's powers and responsibilities. In addition, this proposal allows representatives from outside the GLA boundary but within LRIS to contribute to the direction and management of LRR in delivering rail services.

TfL believes that this proposal provides a sound basis for better and more accountable rail services that will support the dynamic economy of London and looks forward to discussing these with the Department for Transport.

1. Introduction

This paper sets out Transport for London's (TfL's) response to the Secretary of State for Transport's review of the rail industry structure announced on 19th January 2004. In it, TfL sets out a proposal for the enhancement of the role played by the Mayor of London and other democratically-accountable bodies in the region in specifying, supporting and financing the provision of rail services in and around the capital. In developing these proposals TfL has had four overriding objectives which are congruent with the objectives of the Rail Review.

- Efficiently providing services and the ability to secure value for money in doing so;
- Adding capacity to the National Rail system to meet the demands of a city with a growing population and workforce;
- Better integrating national rail services into London's wider public transport system; and
- Using devolved structures where appropriate to deliver local and regional services.

In setting out the scope of the review, the Secretary of State expressed a desire to address the issue of industry fragmentation, and a clear intent to remain within some boundaries:

- Retention of both public and private involvement in the industry;
- Continued role for an economic regulator;
- Protection of Network Rail's role as asset owner and manager; and
- Maintenance of scope for TOC innovation.

These bounds have formed the framework within which these proposals for rail in London have been developed.

2. Rail's importance to London

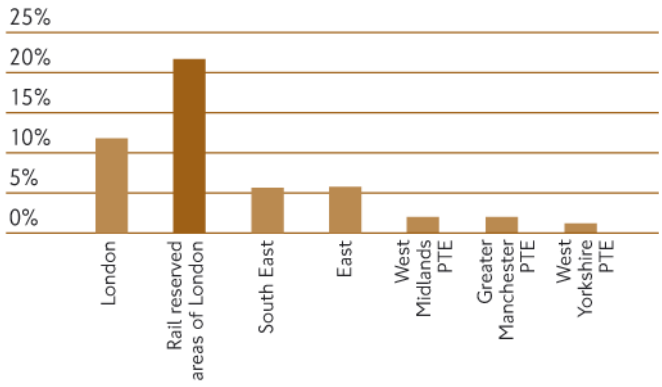
London depends heavily on rail to bring employees from a wide area into a business centre in which high job densities and productivity result in considerable wealth generation for the UK. One of the reasons for the high productivity levels found in London is that the rail network allows London's businesses to find skilled people in a labour market that extends far outside the boundaries of the city.

London's economy supports nearly four million jobs, 1.4 million of which are within the central London area. London contributes an estimated £9-15 billion more in taxes than it receives in public expenditure and is therefore a net contributor to the national economy. This contribution is likely to rise in the future, as current estimates indicate that employment in London is likely to increase further by over 640,000 jobs by 2016.

The density of the urban cluster that rail serves is unique: there are only five local authorities in the UK, all in central London, with employment densities of more than 5,000 jobs per square kilometre: the City of London has a density of 130,000 jobs per square kilometre.

In areas of London where there are neither Tube nor DLR routes available rail is a highly significant bearer of work-related travel. In these areas, rail has a mode share in excess of 20% of all journeys to work, more than four times the rail mode share in any other region of the UK. Londoners make seven times more national rail journeys per capita than people in the English PTE areas, Scotland or the rest of the South East of England. Two-thirds of UK rail journeys start or finish in London, and Londoners account for over 50% of all UK rail journeys.

Figure 1: National rail mode share of journeys to work



Source: Labour Force Survey, DfT Regional Transport Statistics 2003

3. What London needs from rail

Recent studies by the City Corporation have pointed to the costs of rail service unreliability, and transport ranks as the top concern in most surveys of City businesses and commuters.

In order to retain its position as the world's premier city, London needs to improve its transport system. Significant improvement is underway in the transport modes already under the authority of the GLA/TfL. However, this is not enough: given London's growth over the next 10-15 years, the city's rail system will also need to have its capacity enhanced and quality of service improved, while keeping the costs of rail services affordable.

There are three main categories of improvements required:

3.1 Increased capacity

Current peak services on most commuter rail routes into and out of London are already over-crowded. Job growth, particularly in central and east London, will require additional capacity. Capacity additions can be made through major enhancements, but these will take many years to deliver. In the interim, steps will need to be taken to increase capacity by using existing infrastructure, including modifying services and maximising interchange opportunities.

3.2 Improved service quality

Poor quality of service affects passengers' demand for rail services. Improvements required include:

- More reliable services and improved cleanliness of stations and trains;
- Better information and more consistent service standards and delivery across modes, to make journeys involving multiple modes easier;
- Better accessibility and more attractive station approaches;
- Better station waiting facilities, station security and information systems;
- Increasing station staff levels: reduced or eliminated staffing has created virtual no-go areas in the evenings, with increased levels of vandalism and graffiti.

For the majority of rail passengers who have no realistic alternative to public transport for travelling to work, poor service quality can contribute to employee' decisions to re-locate (which for many can mean leaving the UK entirely).

3.3 Affordable cost

For London to continue to attract a diverse pool of employers, it is essential that work-related travel remains affordable for employees in all sectors of the economy. While fares policy will be an important lever in managing this, it is important that every step is taken to lower the cost of procurement and operation of the railways.

4. How the present system has failed London

The current performance of the national rail network falls far short of what London needs.

Capacity. It is unclear how capacity is to be added for travel to London: indeed, in the last two years a number of services have actually been withdrawn. Major enhancements such as the East London Line, Thameslink and Crossrail do not, so far, have identified funding and there is no certainty that any of these projects will be delivered soon.

Service quality. The condition of station infrastructure has deteriorated and new rolling stock, although procured, has not been successfully introduced. Services elements such as accessibility, information, and security – to mention just a few – have been declining and are wholly inadequate.

Affordability. Although the overall fare for peak services has been kept within the regulatory cap, fare structures have fragmented and fares have increased. Industry costs have grown dramatically since the Hatfield accident.

There are a number of reasons for the poor performance of the national rail network in serving London.

4.1 Fragmented industry structure

Under current institutional arrangements, the SRA and GLA have split responsibility for the national rail system that provides rail services in London.

The SRA is directed by the Secretary of State to implement the Government's 10-Year Transport Plan, but also to work with the Mayor of London to deliver the Mayor's Transport Strategy. At the same time, the Mayor has powers to issue his own directions and guidance to the SRA. However, there are a number of broad conditions under which the SRA does not need to implement the Mayor's directions, for example if they would affect freight or passenger services outside London. Clearly this significantly hampers the powers of the Mayor to influence service provision; in practice, the Mayor's directions to the SRA have been largely ignored.

This is in direct contrast to the powers allocated to the Scottish Executive and the PTEs. These bodies are able to determine service requirements and fares policy in a geographic region that, in the case of the PTEs, extends beyond the boundaries of the metropolitan areas within their jurisdiction. There is no clear rationale for why public transport in and around London is not managed in a similar way.

The problems arising from the Mayor's insufficient power over rail services are exacerbated by the absence of funding powers for the Mayor. This is again in

contrast to the PTEs, Scotland and Wales, which are funded to provide for rail services.

4.2 Results of industry structure

The Mayor's lack of funding and weak powers of direction has meant that London has not had an effective voice in national rail decisions. Meanwhile, the SRA has been able to insulate itself from the discontentment felt by commuters in London to an extent that a democratically accountable organisation with the responsibility for rail services in London would not have been able to do. As a result, London has suffered from:

- Paralysis on provision of new infrastructure
- Small and declining public subsidy levels for rail
- Increased overcrowding on London's commuter services
- Expensive contractual frameworks
- Fragmentation of fare structures and brands
- Low levels of customer satisfaction with facilities

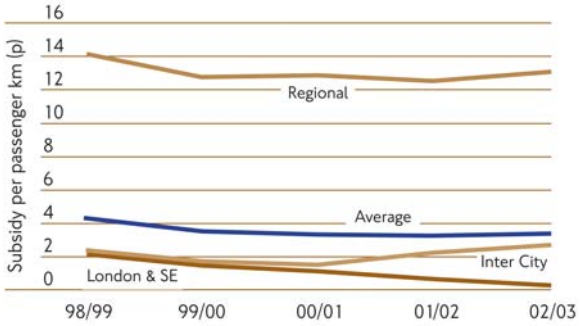
4.3 Paralysis on provision of new infrastructure

The establishment of Network Rail as a company limited by guarantee effectively prohibits it from taking on any significant construction risk, so the SRA now has responsibility not just for specifying major enhancements but also for their funding and procurement. The constraints of not introducing construction risk on Network Rail's balance sheet while at the same time ensuring that assets transfer to Network Rail once they become operational restrict the scope for procurement of major enhancements. The SRA's preference for private financing of major enhancements adds a further constraint. The SRA has therefore been restricted to a procurement strategy based on DBFT contracts which are new and untested, particularly in the railway context, in the financial markets. There are alternatives to the current SRA policy of procuring major enhancements using the DBFT approach.

4.4 Small and declining public subsidy levels for rail.

Services in London have been allocated a small and declining subsidy, while public funds have been disproportionately targeted at regional services. Out of a total subsidy of more than £1.3 billion in 2002/3, London's commuter services received only £73 million, or less than 6%. The year-on-year reduction in subsidy payments has not been replaced by other investment in London's rail infrastructure.

Figure 2: TOC subsidy by type of service



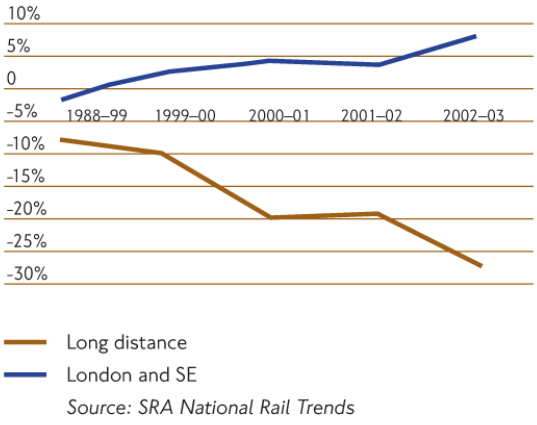
Source: SRA National Rail Trends

To the extent new funds have become available, they have been redirected away from London. For example, the premium extracted for the letting of the newest regional franchise for Greater Anglia is going into the national pool rather than being reinvested in London.

4.5 Increased overcrowding on London's commuter services.

The SRA has chosen to support additional services for long-distance travellers over the needs of London's commuters. Over the period 1998-2003, long distance train mileage increased by 30% while the train mileage in London and the South East increased by less than 5%, despite the fact that passenger numbers on these services grew by 15% and on long-distance services by 6%. As a result, overcrowding on London's commuter rail services has increased while on long distance services overcrowding has decreased.

Figure 3: Train load factors (compiled from SRA figures)



Source: SRA National Rail Trends

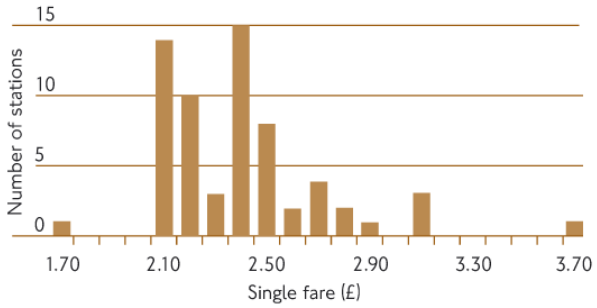
4.6 Expensive contractual framework.

The SRA's current policy has reduced the tenure of franchises and therefore blunted the TOCs' incentives to invest in services in order to secure increased revenues later on. With very limited ability over a short contract period to influence demand, TOCs are facing uncertainty over their revenues. In the short term the largest drivers of demand are factors such as macro-economic growth, over which TOCs have no control. The need to take account of the risk from such factors drives up the operating margins demanded by TOCs when bidding for franchises. The current policy of transferring revenue risks to TOCs seems to have lost its purpose with other changes to the franchise structure. It is now leading to TOCs pricing risks that are beyond their control at rates that reflect their cost of capital. The culture of compensation claims that has arisen as a result of the transfer of revenue risk has further turned economic costs from delays and cancellation of services into a hard financial cost borne by the public sector.

4.7 Fragmentation of fare structures and brands.

The TOCs operating London's rail services have taken an individualised approach to setting prices and managing their revenues. This fragmentation of pricing for comparable journeys has had distorting effects on local economies within the city.

Figure 4: Single rail fares from Zone 3 stations to London terminal



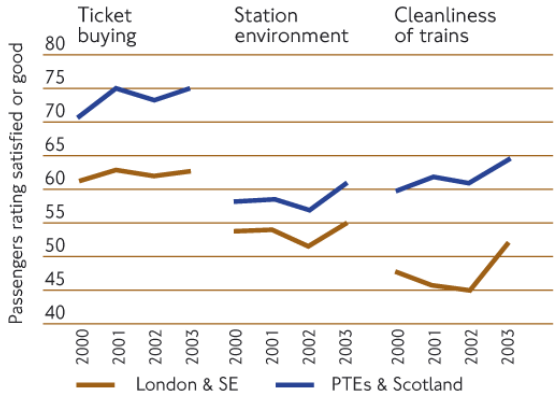
Source: National Fares Manual, Jan 2004

A similar fragmentation has taken place in TOC brands and ticketing systems. London's rail passengers are faced with a confusing plethora of TOC branding on signs, trains and tickets. TOCs have the freedom to define their ticketing systems, which has resulted in a diversity of systems that renders through-ticketing and other London-wide ticketing integration difficult or impossible.

4.8 Low levels of customer satisfaction with facilities.

Not surprisingly, minimal investment and service fragmentation in London have resulted in markedly lower levels of customer satisfaction in the capital compared to the PTEs and Scotland.

Figure 5: Customer satisfaction



Source: SDG analysis of National Passenger Survey results (autumn waves): weighted averages based on TOC passenger-kilometres

4.9 Unplanned outcomes of rational TOC choices

Under the current franchise model, London's TOCs are incentivised to design their services to maximise their profits. Under this model, each TOC trades off capacity utilisation against other softer objectives in offering passengers attractive choices of service. This includes providing a choice of slow and fast services, running trains from individual stations to multiple rail termini in London and minimising journey times at the expense of maximising capacity. These softer objectives are worthwhile in themselves but they limit the capacity that can be offered to central London (for example, fast trains run straight through areas of high demand with unused standing-room capacity, as the TOCs prefer to adopt policies that guarantee passengers seats on journeys over 20 minutes).

4.10 Reliability issues

Service reliability has suffered following the Hatfield accident and the resulting increase in infrastructure maintenance and renewal activity. However, the current levels of reliability are far from being acceptable. They impose real costs on London's economy and make rail less attractive as a mode of travel.

5. Meeting London's needs

TfL has developed proposals for the national rail system that directly address the needs identified above regarding capacity, service quality and affordability.

These proposals are modular. It is possible to identify various sets of proposals that could be implemented together. The full implementation that maximised the benefits to London would involve the adoption of all seven proposals, but if broader considerations meant some were impossible or unattractive, a smaller sub-set could be identified and implemented independently.

These proposals will require changes to the contractual arrangements with London's TOCs. Opportunities to make these changes will occur when the TOC franchises are renewed or reviewed. 50% of the London TOC franchises will be renewed over the next 3 years, and the remainder will be reviewed within 5 years.

5.1 Affordability

The level of rail subsidy provided should be judged against the economic value of rail travel. In London, where rail supports a high productivity business and financial district, the value of rail travel is large compared to other areas where there is a mode choice for travel. In order to continue to support London's economy it is important that the government make clear choices about directing rail subsidies to areas where it creates the highest value.

This kind of fundamental policy choice on subsidies need not preclude other improvements that can be made in reducing the cost of rail services. TfL believe that there is an opportunity to achieve this by altering the franchising policy currently in place.

Whilst TfL recognises that the recent Greater Anglia franchise limits the TOC's exposure to revenue risk, it believes that this approach can be taken further. The risk margin could be eliminated if the public sector were to take the entire revenue risk. There is no requirement for TOCs to disclose their operating margins but our analysis shows that taking revenue risk back within the public sector could reduce the margin requirement by 3-8%.

Taking revenue risk back into the public sector would require altering the franchises to become gross cost contracts with service specifications. In addition to reducing operating margin requirements, this would also reduce compensation claims from TOCs or Network Rail for possessions related to essential renewal, maintenance and enhancement work. TfL has not yet quantified the savings from such a reduction in compensation claims, but we understand that a significant proportion of the cost for projects such as Thameslink 2000 relate to possessions.

5.2 Service and Quality

There are three aspects of service quality that passengers consistently state as important: service punctuality and reliability, improvements to customer interface (information and accessibility), and train cleanliness and security.

Reliability issues should continue to be the remit of Network Rail and the TOCs but closer public sector control of contract specifications may offer scope to include a performance adjustment mechanism to reward reliability in these contracts.

On customer experience and cleanliness, there are opportunities to standardise the specifications included in the franchises. This would aim to incentivise the TOCs to raise the standards in these areas to levels that meet the expectations of London's travelling public. Much of the improvement could be delivered through a wider roll-out of the Oyster card ticketing technology, which offers several benefits – it reduces queues, offers passengers a choice of means of payment and offers better security against theft or loss. Oyster would also allow through ticketing for passengers across multiple modes and to offer scope to harmonise fares with the TfL fare structure across Zones 1-6. This would provide a more logical and understandable service for customers. The Oyster card has been adopted voluntarily by two London TOCs on a pilot basis, but current policies do not incentivise TOCs to change their ticketing systems: external specification would be required to achieve wider adoption. Oyster technology could be rolled out to the TOCs within 24 months.

Passenger security can be enhanced with minor investments at stations and on trains, together with an increase in staff presence co-ordinated with the British Transport Police. Proper lighting of stations and approach ways and proper signage can provide a sense of security for passengers. The use of station premises and surroundings for extended hours third party retailing, for example Seven Eleven outlets, and other economic activity, for (example community use) can increase human presence around the stations and therefore provide some comfort to those most deterred from using rail during evening hours. The introduction of closed circuit television on the Tube and more recently on London's bus services have increased the sense of security and helped cut crime that deters potential passengers from using public transport. The cost of introducing CCTV cameras on trains and stations is relatively small (for example, an inner suburban train such as the GN 313 fleet can be fitted with CCTV for c.£20k per 3-car unit). Again, TfL would propose that these improvements could best be achieved by using a different means of specification in the TOC franchises.

5.3 Capacity

Rail system capacity can be increased in two ways. New infrastructure can be added in the form of upgrades of existing routes or construction of new routes, and more capacity can be found within the existing network by utilising available assets more efficiently. TfL perceives opportunities to use both approaches, although the scope for major enhancements in London will be limited to only a few corridors – the East London Line, Crossrail Lines 1 and 2 and Thameslink 2000. In most cases, capacity increases on other corridors can only be obtained by better utilisation of existing assets.

TfL believes that contracting methods other than DBFT, would offer better value for money whilst still respecting the constraints that are placed on the industry. Straightforward design and build contracts with direct grants can, with proper private sector project management, provide the most cost effective procurement solutions. An alternative would be to make use of TfL's prudential borrowing powers to finance the procurement of major enhancements in London, with subsequent transfer of the assets to Network Rail upon completion. TfL could raise its own finance in the event that the financial markets proved reluctant to lend to project sponsors, allowing projects to proceed relatively quickly, and TfL's AA credit rating may well lower financing costs for these projects. This is especially relevant for projects such as the East London Line Extension where all planning powers have been obtained.

Under the current arrangements major enhancements on national rail are covered by the Enhancement Facilitation Agreement between Network Rail and the SRA. For TfL's proposal to be effective, this agreement would need to be amended to allow TfL to specify, fund and procure projects. This has been discussed with Network Rail, and no practical impediments to such a modification have been identified.

Such a transfer of powers over procurement and delivery of major enhancements to London would also simplify and facilitate the implementation of a genuinely integrated strategy for transport investment, driven by costs and benefits appraised evenly across all modes. TfL would also be able to ensure that the whole London public transport network is planned coherently, providing better opportunities for interchange between different modes. TfL believes that the needs of London in regard to transport investment are best met by elected representatives accountable to London.

5.3.1 <u>More efficient utilisation of existing assets</u>

TfL proposes that service patterns are co-ordinated across London's TOCs so as to prioritise capacity over the other softer objectives implicit in TOC service choices. This would involve two key changes.

First, establishing simplified service patterns by moving to a standard pattern of consistent stopping services throughout the London area would improve utilisation of both route utilisation of capacity and reliability. An alternative would be to use this capacity by stopping these trains at a small number of major interchange stations within the 20-minute limit, thereby bringing this extra capacity into use. The implementation of consistent stopping patterns will improve reliability. Further benefits could also be achieved by simplifying train paths and service destinations: reducing cross-overs of train paths close to London termini limits the knock-on consequences of delays across the network.

Second, enhancing focus on interchange would improve the potential for passengers to leave trains outside the central area. This adds capacity by freeing-up space for other passengers for the remainder of the train journey. As evidenced by some DLR interchanges (where passengers transfer from South Eastern Trains to DLR and free-up space for more commuters travelling to Charing Cross and Cannon Street) many passengers could interchange with Underground or DLR services earlier in their journey where these services have free capacity. TfL proposes an 'outer ring' of interchanges around London, which will help to provide additional capacity for journeys from these interchanges into the centre.

Examples of possible interchanges include:

- **Clapham Junction**

By stopping SWT longer distance services at Clapham in the peaks, standing accommodation on these services can be utilised to reduce overcrowding and also increase interchange opportunities to Victoria services and the West London Line.

- **Stratford**

By stopping more of the Greater Anglia services at Stratford interchange opportunities are enhanced for both the Stratford regeneration area and the Docklands development and eliminates the need for workers in these areas to travel into Liverpool street and then interchange.

- **Finsbury Park**

The provision of an extra platform will allow more long distance services to call at Finsbury Park and allow interchange into the underground services at a station that is less crowded than Kings Cross.

- **Ealing Broadway**

By stopping more of the Great Western Link services, interchange with the underground services is improved dramatically and interchange for the new Heathrow Express stopping service, giving a direct link into the Airport without having to go to Paddington, becomes possible.

Overall, on some corridors such 'strategic interchanging' and simplified service patterns could increase the peak hour train capacity by up to 5%.

The direct cost of many of these changes to the service patterns is relatively small. In some instances it requires only minor signalling alterations. For example, a recent study commissioned by Canary Wharf Group plc estimated that all main line trains could call at Stratford for a signalling alteration investment of about £3m.

In addition to the direct costs of making changes to service patterns, there are other transport benefits and disbenefits that also need to be taken into account. Preliminary work on selected routes shows that there are likely to be both winners and losers from any alterations to service patterns. Preliminary work on selected routes shows that there are likely to be both winners and losers from any alterations to service patterns. A few long-distance travellers may now have an additional stop in their journey to work resulting in a slightly longer journey time. This potential disbenefit will be offset where possible by improved interchange opportunities and also by utilising the improved performance of new trains to reduce the additional journey time to a minimum.

6. Specific Proposals for Change

The potential benefits considered in the previous discussion can be captured through the implementation of the following **seven** specific proposals for change in London's rail services.

6.1 Affordability

6.1.1 Elimination of revenue risk margin in TOC franchise pricing

Retention of revenue risk within the public sector, by moving to a model of gross cost contracts with service specifications, would be efficient from a risk allocation perspective and would reduce the cost of future franchises.

6.1.2 Improved delivery of major enhancements outside DBFT

Transferring responsibility for the procurement of these enhancements to TfL would allow use of alternative procurement methods that would result in improved value for money. TfL's ability to borrow enhances flexibility in procuring major enhancements. All other arrangements for major enhancements relating to ownership, operation and maintenance of the completed assets can remain the same as under the current arrangements between the SRA and Network Rail.

6.2 Service and Quality

6.2.1 Station specifications to improve quality

Quality improvements, focused on station fabric, operating and staffing patterns and security (both on trains and at stations), would be achieved through carefully designed changes to the station infrastructure and customer service standards set in the franchise contracts agreed with the TOCs.

6.2.2 Fare harmonisation

Remove discrepancies in fares for journeys of similar types by bringing rail fares within the integrated TfL zone 1-6 fare structure. This would provide all passengers with a consistent fare structure and improve incentives for transfer between national rail and other modes.

6.2.3 Oyster ticketing roll-out to TOCs

Oyster card rolled out to TOCs would allow passengers on London's integrated transport network the benefit of cash-free through-ticketing on all major public transport modes. Additional benefits include improving the customer interface at stations, providing opportunities for reducing costs by reducing the need for ticket windows and machines, and impeding fraudulent travel.

6.3 Capacity

6.3.1 Service pattern specifications to improve capacity

Simplified service patterns on commuter routes would help increase capacity on some routes by as much as 5%. This could be achieved by requiring the TOCs to move to a standard pattern of consistent stopping services throughout the London area and to reduce the number of train path cross-overs required by their timetable.

6.3.2 Strategic interchanges

Improved interchange opportunities at key stations (e.g., Stratford) offer a better means of using the full transport potential available. This could be done by establishing an 'outer-ring' of Strategic Interchanges at which interchange measures (signage, access) are a priority, so freeing up capacity closer to the centre of London.

7. Delivering the required changes

7.1 Delivering changes through current rail industry structure

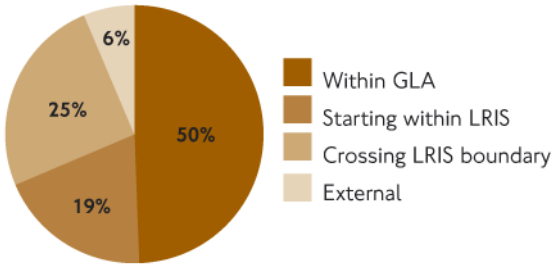
Central to any effective institutional structure for the provision of rail services in London must be a clear linkage between delivery and accountability to Londoners through elected representation. TfL's prime objective is to propose an institutional arrangement that delivers what is required to support London's economy.

7.2 An alternative approach

There is clearly a choice as to which powers are transferred to London and much will depend upon the wider decisions the Government takes on the future of the rail industry. TfL sets out below an alternative structure which offers a better prospect of delivering its seven proposed improvements than the under the present arrangements.

TfL proposes that it be given responsibility for London area commuter services within a planning boundary that reflects the operational requirements of inner suburban services. (This London Regional Inner Suburban (LRIS) boundary is shown on the map in the Annex.) The LRIS region covers the overwhelming majority of passenger journeys in London and the South East – 69% of journeys in London and the South East start and finish in this area.

Figure 6:Peak hour L&SE journeys into London



Source : Analysis Proportion of passenger journeys on LS&E TOCs

Under this proposed arrangement, TfL would augment the responsibilities of its existing rail business unit, provisionally re-titled London Regional Rail (LRR).

In delivering the seven proposals, LRR would:

- Specify and pay for the suburban services under performance-based gross cost service contracts, retaining revenue risk rather than transferring it to TOCs.
- Specify the stopping pattern of outer suburban services at major interchange stations within the LRIS boundary.
- Set standards for station environment and for security both on trains and in stations, including rolling-out Oyster across all TOCs.
- Set fares such that they are harmonised with other services in London and offer integrated ticketing.[1]
- Integrate rail into broader transport planning processes, including the establishment of an 'outer-ring' of Strategic Interchanges
- Sponsor, fund, and deliver major enhancements on the national rail network in the London area.
- Provide input into the DfT's development of Route Utilisation Strategies.

It is important to be clear from our proposal that:

- Infrastructure will remain the sole preserve of Network Rail subject to other decisions by Government.
- National priorities for the railways, including national policies on route utilisation will remain the sole preserve of the DfT.

7.3 Regional area of influence

Whilst there are clearly a range of possible boundaries for the jurisdiction of LRR, TfL believe that the proposed LRIS boundary is the best choice. It closely matches London's existing democratic structure, being an area where the GLA could appropriately take the lead role, although TfL recognise the importance of offering representation to elected bodies outside the GLA area who also have responsibilities for rail services within the LRIS boundary.

A possible alternative would be to set the boundary to cover the whole of the East and South East regions as well as London. It would be more difficult to build on existing democratic structures, and to ensure direct accountability to a coherent electorate would probably require the creation of a new decision-making body, creating additional public sector interfaces. Representation involving GLA/TfL and other bodies would need to be developed should this option be taken forward as an alternative.

1 The jurisdiction for fare setting could be made to be different for journeys entirely within the Greater London area, which would be within the sole control of LRR, and other journeys that originate or terminate outside London, where LRR would be required to co ordinate its policies with other fare policies including those set nationally. Following the PTE model, LRR would consult with other regional or local bodies in any proposals for changes to fares policy. Such a forum for consultation already exists in the London Transport Users Committee (LTUC) which covers an area similar to the LRIS boundary

7.4 Integrated public transport in London

An integrated public transport network is an essential element in providing an effective alternative to car use in both central London and the main suburban city centres. Improved integration will be a major benefit of TfL being the single executive transport agency for transport in London. TfL as the executive transport agency, would also be able to optimise policing and security on all public transport within London within available resources.

The proposed arrangements will allow TfL to focus more effectively on developing selected strategic rail interchanges, enabling an optimised use of the transport network.

Integrated decision making for London's transport modes will enable a joined-up approach between the planning of transport, spatial planning and economic regeneration. This key linkage between transport and land use planning will allow the benefits of new developments and regeneration initiatives to be realised more quickly.

8. Consequences of augmenting TfL's executive responsibilities to include the suburban rail system for London

8.1 Management of interfaces

The essence of TfL's proposal for London is to augment existing powers within current interfaces rather than to create new interfaces within the rail industry.

TfL believes that the Department of Transport (DfT) should oversee the strategic direction of the UK rail industry, facilitating the provision of Directions and Guidance from the Secretary of State, and providing associated funding. The devolution of powers and responsibility to London under TfL's proposal is compatible with this overall framework.

The key interfaces for TfL would be with respect to route utilisation, including route closures for carrying out maintenance or enhancement work, and fares and ticketing policies. TfL would expect the DfT to have a significant and likely enhanced role in determining route utilisation and would work within its broad direction. Due to the importance of rail in London it is proposed that TfL be given a suitable voice within the overall route utilisation strategy setting process.

Access to the rail network is currently a part of the remit of the ORR. We believe that the ORR, using public interest criteria, should resolve conflicting strategic requirements for capacity.

London's requirement for rail services should be consolidated with those of wider regional stakeholders and efficiently procured from train operators responsible for train service provision over territories which are co-terminus with those of Network Rail.

8.2 Governance of London's Regional Rail Network

The preferred method of governance of LRR will differ depending on the geographical area allocated to it. If LRR only covers the area within the Greater London boundary the responsibilities could be included within the powers and duties of the GLA and TfL with only modest changes to the existing legislation. If its geographical influence extends substantially beyond the GLA area additional arrangements will need to be made to provide sufficient voice to the affected local and regional interests. The largest benefits of LRR come from having authority and influence over an area that includes Greater London and respects operational constraints. Therefore, as mentioned above, TfL proposes that LRR should cover an area that corresponds to the LRIS boundary.

If LRR were to cover the LRIS area, suitable amendment to TfL's governance and statutory regime would need to be made to provide a voice for representatives of those parts of the LRIS area which fall outside the GLA boundary. Changing existing legislation to provide explicitly for the appointment of Board Members to the TfL Board who would visibly be seen to represent the interests in this area could achieve this. This approach has precedents as TfL under its existing statutory arrangements is required to have representatives on the Board who represent the interests of women and of persons who require transport which is accessible to persons with mobility problems.

The simplicity of this governance proposal is that it provides representation and influence without creating additional organisations or bodies which, by definition, cause interface and complexity issues. This proposal does not unnecessarily add to industry fragmentation and provides for clear accountability.

Other governance models are possible including having a London Regional Rail Authority within the GLA but separate from TfL and possibly another which is separate from the GLA as well as devolving power to the local level. These models would however, suffer from similar complexities and poor ability to deliver that have stifled improvements under the current regime. They would also increase the number of interfaces rather than reduce the number.

The appropriate governance of LRR can be resolved only in conjunction with other outputs from the rail review. TfL would appreciate being involved in further discussions on this aspect during the review.

8.3 Funding arrangements

TfL should be responsible for managing those portions of the cost of rail services that are under its control. This would specifically exclude track access charges and other costs of infrastructure determined by the ORR that are paid to Network Rail. It would however include costs related to train operation, station maintenance, and ticketing.

In recent years London's commuter rail services have required very little subsidy from the Government. This is likely to change when the effects of the increase in Network Rail's costs are passed through to the TOCs under new franchise agreements.

TfL would expect that the fair and reasonable cost of operating train services in the LRIS area will be funded through direct government transport grant as required. This would be similar to the funding arrangements for other services operated by TfL.

In order to be able to finance major enhancements in the future TfL would need continuing comfort that its borrowing ability would not be curtailed. Delivery of major enhancements would also require that clearly identified funding streams to support the borrowing required are committed at the start of the project concerned.

9. Conclusions

In making these proposals TfL have kept in mind the objectives of the rail review and have not attempted to redefine the role of Network Rail nor the principles of economic regulation that are currently embedded in the industry. Instead, TfL's proposals are focused around the policy decisions that are key to delivering a better railway.

TfL's proposal does not create additional interfaces within the industry, it strengthens and extends the existing interface between GLA/TfL and the rail industry through augmentation of GLA/TfL's powers and responsibilities. The interfaces in the rail industry can be managed as experience from the regional PTEs and Scotland has already shown. But in addition, this proposal allows representatives from outside the GLA boundary but within LRIS to contribute to the direction and management of LRR in delivering rail services.

TfL believes that these proposals provide a sound basis for better and more accountable rail services that will support the dynamic economy of London and look forward to discussing these with the Department for Transport.

Annex: Delineation of the LRIS area boundary