

## **Rail Decentralisation: Devolving decision-making on passenger rail services in England – Response from Campaign for Better Transport**

### **Summary of main points**

- We support the devolution of decision-making on local passenger services, because we think that in principle this will produce better services for passengers and enable rail to play a greater role in local transport. However, the paper does not spell this out and in particular is weak on how devolution might benefit passengers. This ought to be the starting point of any devolution proposal.
- Devolving decision making on passenger rail services needs to be developed as a long-term policy rather than just focusing on the franchises that are soon up for renewal, and the policy needs to more closely tie in with the decentralisation agenda on buses, local transport major schemes and sustainable transport funding as a common approach or framework
- As part of a long-term policy, the Department for Transport should pilot a number of different approaches and then seek wider roll out
- The Department needs to be seen to be driving this agenda rather than just leaving it to see which local authorities might be interested. This would mean taking an active approach on difficult issues such as revenue and infrastructure risks
- There is a need for minimum standards to protect passengers but allow local franchise authorities to develop more flexibility and diversity on top of this base
- Some of the benefits of the current devolution of rail franchising are not just down to local control but due also the type of franchise (i.e. the concession model) and also the funding that is available to improve services and integrate them with other transport modes
- The consultation paper has next to nothing to say on improving and integrating end to end or seamless journeys, which should be one of the potential benefits of devolving to authorities who are responsible for measures to improve access on foot or by bike, or the integration with buses and light rail

### **Overall framework for decentralisation of transport, including rail**

The policy on rail decentralisation needs to be part of the wider agenda on decentralising transport policy and delivery. The consultation paper as a whole makes few references to this wider agenda, apart from references to the devolution of major local transport scheme funding and how this might relate to funding for rail infrastructure improvements. This is an omission and the policy should more clearly set out how it fits with this wider agenda, not least the importance of giving local authorities (or consortia of authorities) a range of options to tackle transport problems rather than the traditional approach whereby biases in the power available to local authorities, the funding on offer and the appraisal system result in most local authorities seeking to solve transport problems through capital expenditure on road schemes.

The policy should also be an opportunity to better integrate local transport delivery to enable more seamless end to end journeys, providing an alternative to dependence on the car.

Readers of the consultation paper could also be left with the impression that the Department is a reluctant convert to decentralisation. There is no sense that the Department is looking to steer this process as part of well thought through strategy. Instead, the impression is given that it is up to local authorities to make a case for devolution in a piecemeal way without defining what the real priorities should be. A particular problem is that the consultation paper is very weak on how this might actually benefit passengers, which should be the basis on which the whole policy should be developed.

### **Experience of existing rail devolution arrangements (question 1 in the consultation)**

As the consultation paper sets out, there is some experience of devolution of rail services in London, Merseyside, Scotland and Wales. The London and Merseyside examples are probably most relevant. Both have led to significant improvements in services for passengers, in terms of trains, service levels, station standards, staffing and through ticketing. London Overground in particular has demonstrated the benefits of devolution; the services were previously a small part of the Silverlink franchise and there was no incentive for either the Department for Transport as franchisor or for the franchisee to improve services, trains or the stations, since the benefits were local rather than national. By separating them out and giving them to Transport for London, the service levels and quality received management focus and the funding needed to improve them.

Learning from those two examples should look at not just local franchising but the model of franchising chosen. The use of a concessionary approach, in contrast to most franchises where the operator takes the risks on revenue, is likely to have led to many of the benefits of devolution and should be considered as an approach for other franchises, whether let by the Department for Transport or other bodies.

The second key lesson is how devolved franchises can be used to ensure better integration with other modes, such as improving stations for those on foot or on bike, or with other public transport services in terms of multi-modal zonal ticketing, improved information on options for travel and common branding.

Linked to the concessionary model for London Overground, which has enabled more money to be available for wider improvements, is the issue of long term funding and the ability to borrow against future revenue, which has enabled Transport for London to improve and extend the service offered.

There are also issues of political and democratic accountability. Both Scotland and London have benefited from clear lines of political accountability, and Merseyside too has benefited from an established passenger transport executive (PTE) and a strong identity for the city-region. If other franchises are devolved, passengers and the wider community must have confidence that they can hold the authority responsible for franchising to account.

### **How decentralisation could contribute towards achieving objectives and outcomes (question 2)**

The top line objectives for decentralisation are not very well developed (cost reduction & enhanced value for money, local democratic control, benefits for passengers, supporting & stimulating economic growth, contribution to carbon reduction). If devolution is to go ahead, the Department needs to have a clearer and more tangible set of objectives for what devolution should actually seek to achieve in practice.

There is also a problem about starting the list with “cost reduction and value for money”. In itself, this is not meaningful and will lead to cynicism about the Government’s motivations for pursuing devolution. “Value for

money” as a concept cannot be defined or achieved unless the Department is clear about the “value” that devolved franchises could deliver.

The objectives should therefore start with what the benefits should be for passengers, from which other objectives will follow. As a major new approach to rail policy, it is disappointing that the paragraph on benefits for passengers (3.16 in the consultation paper) is so limited.

In terms of the sections on cost reduction, we are supportive in principle of the idea that devolving services could lead to a more flexible approach and more efficient operation provided minimum standards for passengers are maintained. More innovative approaches to ticket sales and use of staffing can be good for passengers. But reducing ticket office staffing or hours only works if there is a transparent and simple ticketing system, for instance zonal tickets, and people are able to use smart ticketing or ticket machines that offer the full range of tickets and make clear which are cheapest. Staff should also be deployed to provide advice and help, for instance to those with disabilities, and to provide reassurance about safety and security.

The simple conflation of cost reduction with value for money could also mean that some measures to improve efficiency or boost passenger numbers which require up front funding could be missed. When Transport for London took over London Overground, significant sums were spent on stations, signage, gating and other improvements which will pay a return in the long-term through higher ticket revenue. Efficiencies may also be achieved through up front expenditure on, for instance, electrification and refurbishment of rolling stock. A simple focus on cutting the cost of franchises by handing them over to local authorities should not mean ruling out an “invest to save” approach with higher initial levels of investment that will provide a positive return in the long-term. The Aire Valley route in West Yorkshire is an example where a programme of electrification, new trains and station improvements has led to significant passenger and revenue growth and greater cost recovery.

The paper (para 3.9) says that many value-for-money cases for increased capacity have been marginal and require increased subsidy. This may be a problem with the way such cases are appraised. As noted elsewhere, rail passenger travel and revenue has been rising on local rail networks beyond the DfT’s forecasts; if higher growth rates, as seen over the past 15 years, are included, the value for money will rise.

In particular, the benefits of including rail in wider transport networks in terms of ticketing, interchange, connections and information are under-estimated in most transport models. The inclusion of rail in London’s Oystercard scheme has generated revenue beyond that forecast, because it has simplified rail travel. This means that the benefits of devolution and of investment in local services can be underestimated. In fact greater integration can improve revenue and sometimes reduce costs on both rail and bus, by ensuring services link together and in some cases are co-ordinated through procurement. With rail devolution, local authorities would be able to ensure that bus quality partnerships and quality contracts, where they exist, are linked to local rail services. In rural areas, where much of the bus network is already tendered, it makes sense to consider specifying joint bus and rail networks, so that maximum use is made of limited resources (this is commonplace in many European countries).

The value for money issue is also complicated by cost levels. As para 3.6 points out, there are ways to reduce costs on local rail networks without impacting on service quality, but there has been little progress with changes in standards and other measures to reduce costs. Devolution may be able to help this, provided local authorities have freedom (through concessions etc) to give incentives towards this and to question existing standards.

The consultation also discusses the potential for changing current rail operations over to other transport modes. Light rail and tram-train approaches can be a good substitute, and we support these. However, bus replacements are much more problematic. The DfT should be aware of the history of previous line closures

when rail was replaced with bus services, where the bus services did not survive. Light rail provides certainty about routes and services being maintained, around which people and businesses can invest. However, through ticketing between any light rail/ tram-train system and the national rail network should be retained, and DfT should actively find ways to ensure that this is affordable.

As set out earlier, Campaign for Better Transport supports measures to ensure the democratic accountability of franchising bodies. The involvement of local enterprise partnerships could complicate this given their lack of accountability and their representation of partial interests in an area. Their role should be limited to that of advice.

The paper asks (para 3.18) about whether devolution could contribute to carbon reduction. Our view, based on previous analysis, is that improved end-to-end journeys will, by providing more choice over car travel for more trips, lead to reduced carbon emissions. Devolution of rail services should contribute to this, as we have noted already.

### **Views on activities that should be devolved (question 3)**

Minimum standards for passengers and freight should be maintained, including to protect against the danger of short term cuts if funding is not ring-fenced and if local franchise authorities are not provided with long-term certainty over funding. Minimum standards are also needed to ensure that the benefits of being part of the wider network are maintained, for instance in terms of information and through ticketing.

Of particular concern is how fares and ticketing decision would be devolved. There is a need to protect passengers through the current system of fares regulation. Although the RPI formula used for regulated fares is a blunt instrument (and is currently abused with the switch to RPI+3% to extract more money from passengers rather than to protect them), moves to do away with this for devolved franchises could lead to passengers being exposed to more above inflation fare rises unless an adequate and accountable replacement was introduced. There would also be a danger if fares and ticketing were fully devolved of creating an even more complex and confusing fares system than the present one.

We see potential for devolving responsibility for stations and station enhancements to local authorities as suggested in 4.15. This however will require the changes in responsibility referred to in that paragraph to result in real openness on enhancement options involving third parties such as local authorities and developers. Stations are not just part of the rail network; they are gateways or hubs in local communities, and increased involvement of local authorities in rail franchising can help recognise and maximise benefits from this. Local planning and transport authorities are also able to attract new investment to stations. We have carried out some work in this area and would be happy to discuss it further with the Department and the industry.

Paragraph 4.10 suggests that new stations and lines should be the responsibility of local authorities. We support this in principle, but have separately proposed, in a paper already submitted and to be published shortly, further support for such projects. We suggest:

- A fund within the forthcoming HLOS to support local authority schemes for new/ reopened stations and lines
- A unit within the rail industry, led by Network Rail, to provide technical support for the development of such schemes
- Support for private sector-led reopening projects
- Safeguarding of alignments and station sites through the planning system.

### **Views on types of service that should be devolved (questions 4 and 5)**

As a new approach to rail policy, the Department for Transport should pilot a number of approaches across different types of service, focussed on the E (services providing links for smaller towns and rural areas), D (local services into major conurbations outside London) and C (commuter services into London) types in the consultation document. We think the basis for these pilots should be the offers already emerging with respect to the Bristol network, the Northern and Trans-Pennine network, some London commuter lines and in the longer term the West Midlands. The DfT needs to take a pro-active role in negotiating with those involved in these offers and helping propositions to emerge that are workable, economic and give advantages to all relevant authorities.

There is a particular need to address the risks that would be taken on by local franchising bodies, and the DfT should consider guarantees for franchising bodies to overcome concerns about taking on the risks of infrastructure, including high maintenance costs that may be charged by Network Rail or others.

It is absolutely crucial that rail freight interests are fully taken into account in any rail devolution. The rail freight industry should be involved as early as possible in any discussions and negotiations.

### **Views on the five options for decentralisation (question 6)**

Given that there is already experience of some devolution approaches and that the policy should be for the long-term and allow for evolution based on learning, the DfT should look to pilot different approaches, either for the whole franchise or for part of it (e.g. microfranchises). As noted above, options should be assessed on the basis of passenger and wider benefits, rather than on organisational or operational convenience.

### **Views on governance (question 7)**

Governance of new franchising authorities needs to ensure democratic and political accountability and ensure that wider stakeholders are included (for instance freight operators should be represented in governance structures). Campaign for Better Transport does not necessarily consider that all local authorities over which lines run need to be included in the formal governance structures, but there should be forums in which their concerns can be raised and taken account of. The paper notes that local authority boundaries may not fit with rail services; the DfT should consider using the duty to co-operate enshrined in the Localism Act 2011 to ensure that local authorities work together on devolution and that authorities are not disadvantaged.

The involvement of wider stakeholders should also be considered, including rail user groups, Passenger Focus and local environmental and community organisations. Community Rail Partnerships, where they exist, could be enhanced to facilitate this involvement; Travelwatch groups and bodies such as the Greater Manchester Transport Resource Unit could also bring together knowledge and comments from users and others.

### **Views on funding (question 8)**

If devolution is to work, it must come with sufficient funding to ensure that services are retained and improved rather than reduced; local authorities will not want to take on even more difficult decisions than those already in their hands.

Para 5.10 suggests that rail enhancements should be funded through the devolved Major Local Transport Schemes budget. As noted above, we have proposed a “connecting communities fund” within HLOS to recognise the specific benefits and issues (especially for non-metropolitan English authorities) arising from such enhancements. This fund could be used to gain matching funding from the Major Schemes fund and elsewhere.

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Campaign for Better Transport’s vision is a country where communities have affordable transport that improves quality of life and protects the environment. Achieving our vision requires substantial changes to UK transport policy which we aim to achieve by providing well-researched, practical solutions that gain support from both decision-makers and the public.

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