

Rail Delivery Group

Response to Department for Transport Cross Country Passenger Rail Franchise

Date: 29 August 2018

Rail Delivery Group response to DfT's public consultation: Cross Country Passenger Rail Franchise

Organisation: Rail Delivery Group

Address: 200 Aldersgate Street, London EC1A 4HD

Business representative organisation

Introduction: The Rail Delivery Group (RDG) brings together passenger train operators, freight train operators, as well as Network Rail; and together with the rail supply industry, the rail industry – a partnership of the public and private sectors - is working with a plan *In Partnership for Britain's Prosperity*¹ to change, improve and secure prosperity in Britain now and in the future. The RDG provides services to enable its members to succeed in transforming and delivering a successful railway to the benefit of customers, the taxpayer and the UK's economy. In addition, the RDG provides support and gives a voice to passenger and freight operators, as well as delivering important national ticketing, information and reservation services for passengers and staff, taxpayers and the economy. We aim to meet the needs of:

- Our Members, by enabling them to deliver better outcomes for customers and the country;
- Government and regulators, by developing strategy, informing policy and confronting difficult decisions on choices, and
- Rail and non-rail users, by improving customer experience and building public trust.

For enquiries regarding this consultation response, please contact:

Emilia Platoni

Policy Adviser

Emilia.platoni@raildeliverygroup.com

02078418296

Rail Delivery Group

2nd Floor, 200 Aldersgate Street

London EC1A 4HD

¹ *In Partnership for Britain's Prosperity*, RDG (October 2017):
<http://www.britainrunsonrail.co.uk/files/docs/one-plan.pdf>

Overview

The Cross Country passenger rail franchise serves a large geographical area and provides an important rail service for many of the major urban areas across England, Wales and Scotland. The Rail Delivery Group (RDG) welcomes the opportunity to respond to the Cross Country Rail Franchise consultation, in particular:

- RDG would welcome greater flexibility in the contracts to allow the Department for Transport (DfT, or the Department) and the Operator to respond to changing customer needs. This could be achieved by making greater use of an outcome-based contract to drive greater innovation from the private sector.
- The new franchise provides an opportunity to review the fares structure used on this route, informed by the forthcoming outcomes from the RDG's fares consultation².
- RDG supports the continued investment in the development of an inclusive railway that is accessible for all.
- The rail franchise must be established on a sustainable basis, RDG welcomes the use of a financial risk sharing mechanism (Forecast Revenue Mechanism).

1. Customer Experience

1.1. The National Rail Passenger Survey (NRPS), undertaken by Transport Focus, is an important measure which operators use to assess areas of priority for improving customer experience. NRPS results for the Cross Country rail franchise demonstrate a number of areas for improvement, including on-board experience and improving customer facilities. To support the NRPS survey RDG, working with train operating companies has developed a customer analysis tool which can assist in understanding customer expectations, needs and priorities and has developed a means of measuring these expectations at each stage of the journey. As a result, we can demonstrate in detail what customers' expectations are. This enables us to prioritise work in the areas that will deliver better journeys for passengers and an improved customer rail experience. This approach, which is underpinned by five 'customer promises', is The Customer Heartbeat™. The 'customer promises' are:

- Put the customer in control;
- Let the customer travel 'my way';
- Enable the customer to be always on;
- Give the customer clear value;
- Ensure that the customer is always feeling loved.

1.2. The Customer Heartbeat™ is a tool which maps 108 segments or 'touchpoints' of a rail journey and helps us to understand where the service provided does not yet meet customer expectations. RDG have appointed 'Customer Champions' who will be responsible for implementing improvements in each of these areas and will directly liaise with Operator's to achieve this work is focused on ensuring that the industry is delivering for the customer.

1.3. RDG will support and promote the use of The Customer Heartbeat™ tool with our members and the Cross Country operator to develop a more detailed understanding of customer expectations and their changing needs.

1.4. **Recommendation:** There needs to be sufficient flexibility in the franchise for the operator to be able to respond promptly to changing customer needs.

² <https://www.britainrunsonrail.co.uk/media-releases/134-rail-industry-seeks-root-and-branch-reform-of-rail-fares-regulation.html>

2. Customer-focused contracts

- 2.1. RDG welcomes the suggestion of flexibility of contracts by the DfT and advocates for outcome-based specification and flexibility in contracts to deliver better outcomes for passengers and greater value for taxpayers.
- 2.2. **Recommendation:** Utilising outcome-based specification will enable the Department to drive greater innovation from the private sector, with the client focused on achieving its objectives; detailed input-based specification should be avoided. Outcome based specification can also drive down bid costs and create a more competitive market. Focusing on outcomes will give operators more flexibility in how to deliver for the customer and respond to their needs.

3. Sustainable risk sharing

- 3.1. The introduction of the Forecast Revenue Mechanism (FRM) for DfT-led competitions is positive. The FRM mechanism should not be made irrelevant by wide bands and costly conditions attached, which will make its inclusion in franchise contracts irrelevant. It is important that the businesses remain vibrant and continue to drive revenue and encourage innovation. If a contract is utilising the FRM and the Contractual Incentive Mitigations (CIMs) and predefined criteria are met, then it may be appropriate to enable a change mechanism to reset the contract.
- 3.2. Passenger services contracts need to have sufficient change mechanisms and reset functionality from inception to enable flexibility for the Department and improve value for money by allocating risk efficiently.
- 3.3. **Recommendation:** Suitable change mechanisms need to be included in the franchise agreement from the outset, and be accessible to enable use in the life of the contract.
- 3.4. **Recommendation:** Contracts need to begin well, therefore a truing-up of the revenues, costs and performance targets at contract award would enable the Department and the Operator to start the contract well with a joint focus on the same key outcomes for the customer. Where possible there should be alignment between Network Rail and the Operator on planning, infrastructure and performance trajectories with clear accountabilities. This is particularly important if changes to Network Rail's outputs impact on delivery of franchise obligations.
- 3.5. The balance of risks and reward is a key consideration for bidders in deciding whether, and how much, to bid for the right to operate the Cross Country rail franchise. The bid costs and capital requirements for the franchise must be proportional to the contract value.
- 3.6. **Recommendation:** Bid costs and capital requirements need to be proportional to the type and nature of contract being procured and reduced significantly from current levels.

4. Improve and simplify fares and ticketing

- 4.1. RDG recognises that fares and ticketing are key issues for passengers. Regulation of the fares structure has remained largely unchanged since its introduction in 1995, with further layers of requirements added over time, but little or nothing taken away. There are now long-standing anomalies in the system, impacting the customer interface. Regulation has failed to keep pace with changing customer behaviour, including the rise of smartphone technology or how people work and travel today, with part-time working and self-employment having increased by over a third in 22 years. RDG's 'Easier Fares' consultation aims to understand what customers want and need from a reformed fares and ticketing system.
- 4.2. **Recommendation:** The Department should reflect the recommendations from RDG's fares consultation (expected in Autumn 2018) in the specification of the next Cross Country franchise. These recommendations reflect extensive engagement and analysis and we would welcome proposals to develop, test and implement the appropriate fares capability in the new franchise.

5. Accessibility

5.1. Customers are at the heart of the railway: it is important that we understand how their needs vary depending on their journey, their personal circumstances and preferences. The Access for All programme drives infrastructure improvements to make stations more accessible, but it is also important that customer needs are considered at the inception of all projects. In the next Cross Country franchise, a broadened approach to disabilities should be taken, recognising that not all disabilities are visible, with a focus on hidden disabilities too.

5.2. **Recommendation:** in the next Cross Country rail franchise, RDG would like to see the continued investment in the development of an inclusive railway, with well-defined and appropriate interventions that support customers throughout their end-to-end journey, tailored to meet their specific needs. RDG and the rail industry are seeking to remove the label of 'disabled' by ensuring requirements for all customers are considered from the inception of all projects and programmes. RDG recommend that the approach to the new Cross Country franchise is guided by these key principles:

- A phased, improvement plan, clearly informed by insight;
- 'Inclusive' design principles embedded in Digital, Retail and Ticketing, Fares and Information Strategies;
- Close working and early collaboration with key stakeholders and customer groups;
- Clear evidence of both customer and demand benefits to support any required investment;
- A balanced approach to embracing technology but also mindful that this is not an accessible solution for all;
- A focus on accessibility training and a possible accreditation to ensure there is a least a minimum benchmark;
- A focus on hidden disabilities;
- Embrace the new Passenger Assist system solution and its technical capabilities with the view to reducing Cross Country committed obligation of booked assistance time currently at 'up to 24 hours';
- Clear metrics that drive the right behaviour and performance.

5.3. **Recommendation:** RDG recommends that there should be focus on investment priorities particularly towards improving the information related to how accessible station and on-train facilities are with a focus on the end to end customer journey.

5.4. The specification of the Cross Country rail franchise should enable bidders to continue to change and improve the way that accessibility and facilities provision is delivered, not just within and around stations but for the entire customer journey. RDG encourages the Department to work with industry to embed this approach to not only deliver better journeys, but also ensure more customers have opportunities to travel.

6. Freight

6.1. Rail freight is an important part of Britain's partnership railway and each year, rail freight operators transport over £30 billion worth of goods across Britain. Given its national geographic presence, the Cross Country franchise remains vitally important to rail freight: as the consultation document recognises, all freight operators interact with the Cross Country franchise.

6.2. There are a number of key locations and lines of route for freight operators on the Cross Country franchise, including intermodal traffic flows from the ports of Southampton and Bristol, as well as container traffic joining the route at Ely from the port of Felixstowe, automotive and aggregate flows to and from the Midlands and timber flows on the Anglo-Scottish regional routes. Despite, falling coal volumes challenging freight growth in recent years, the Freight Market Study 2017 identifies opportunities for growth in some of these areas and is has been borne out by growth forecasts undertaken by Network Rail for Control Period 6 (CP 6). A number of developments

have the potential to increase this demand such as if rail freight becomes more attractive than road post-Brexit: with one in four containers that enters Britain's deep-sea ports makes its onward journey by rail, rail could become more crucial in alleviating congestion at ports.

- 6.3. Similarly, HS2 is a major infrastructure project that will require the transportation of vast quantities of material for construction. Rail freight has strong credentials to support the delivery of its construction and as such it is another potential growth opportunity for rail freight which should be accounted for in the next franchise.
- 6.4. **Recommendation:** In the next Cross Country franchise specification, we would emphasise the importance of ensuring that sufficient capacity is reserved to support and enable scope for freight growth. The Department should therefore work closely with freight operating companies and Network Rail – both the Freight and National Passenger Operator route and the System Operator – to understand specifically what pathing is required to support freight growth in the specification phase.

Recommendation: The Department should also encourage bidders to work with the franchised operator during the franchise term where opportunities for growth may become available. Much like rail freight, the Cross Country franchise's national presence means it is not aligned to any single Network Rail geographical route. Partnership proposals emerging of various parts of the rail network between franchised train operators and devolved Network Rail routes, it is important that there are sufficient provisions put in place to protect the interest of freight operators, both in terms protecting existing capacity and increasing future capacity.

7. On-board Experience

- 7.1. The next Cross Country rail franchise should continue its investment in the on-board experience for all customers. The 2018 Transport Focus Passenger Survey identified the on-board experience as one of the key priority areas, it will also be important for the Department and the bidders to consider how to manage the overcrowding which currently exists on the route as well as the availability of seating.
- 7.2. **Recommendation:** The Department should encourage innovative bidding to combat overcrowding, improve the on-board experience and unlock suppressed demand on the network by issuing an outcome based specification.
- 7.3. The passenger survey also identifies the importance of Wi-Fi to customers. In partnership with RSSB, RDG published a report on mobile connectivity '*Connected Train and Customer Communications*³ that sets out the deployment options of mobile connectivity on board trains and the technological and potentially infrastructure interventions required. This will be of benefit to the customer and enhance the passenger experience; but could have wider benefits which include improving the operational performance of the railway, as well as unlocking broader economic benefits beyond the railway, i.e. delivering rural broadband and boosting productivity.
- 7.4. **Recommendation:** The Department must be clear about the outcome they are trying to achieve with increased mobile connectivity, as the level and type of service to meet that outcome could be scaled to meet the funding level. For the commercial case to be sustainable in the long-term, operators require certainty against significant cost fluctuations that may result from volume demand for connectivity, regulatory action or reduction in competition in the wholesale third party wireless and backhaul data markets. To protect against any such cost increase, we would advocate contractual flexibility for all parties.

³ *Connected Train and Customer Communications: Rail and Digital Industry Roadmap*, RSSB (January 2018)