

Rail Reform and Recovery

How a Reformed Railway Can Help Britain Build Back Better

Rail Delivery Group



Executive Summary

The Covid-19 pandemic, and the economic turmoil that followed, have wrought deep changes in our economy and our society. We have all changed our habits, assumptions and plans for the future.

Many millions of workers will find themselves changing their travel habits in the wake of the pandemic, as the existing trend for more home working and hub working accelerates. People who have experienced lockdown in the cities may hanker after relocation to the suburbs or countryside. Regular commuters are travelling at different times and in different patterns than before. Everything – the way we work, shop, travel and go on holiday – has changed.

Other big drivers of change are still there too – the growing population, the digital revolution, and the pressing need to stem global warming. All of these things add up to extraordinary times of great flux.

Britain's railway must adapt to survive. Before the pandemic, the railway was already in need of reform. Overly prescriptive contracts had stymied innovation and investment. Lines of accountability were blurred. The system of fares and ticketing reflected a very different world. The focus on the customer had been reduced.

The Government established the Williams Rail Review as the engine to forge a new public-private partnership. Once the pandemic took hold there was, understandably, a hiatus in that process.

Ministers stepped in, introducing Emergency Measures Agreements (EMAs) to keep the trains running for key workers, making up for a massive and sudden drop in passenger numbers. Without this decisive action the industry would not have had the revenue it needed to survive, and we recognise and welcome this as a clear demonstration of the Government's support of the railway, and the value it attaches to what it can deliver for Britain.

Rail freight volumes also reduced significantly but freight operators played a key role in transporting essential goods around the country.

As we hope to emerge from the health crisis, and look to tackle the economic crisis, the railway can make a major contribution to Britain's recovery, but reform is still needed. The recent evolution of EMAs into Emergency Recovery Measures Agreement (ERMAs) provides the platform for that reform, presenting a golden opportunity to move forward into a successful future.

With the right reforms train operators - on whose behalf these updated proposals are made - working with Network Rail and the wider supply chain, can add greater value and make a significant difference to the pace of recovery, delivering better outcomes for customers, taxpayers and helping our communities recover. We want to work with Governments to help them design the right incentives to get the very best out of private sector involvement, underpinned by the right balance of risk and reward in contracts to ensure a financially sustainable industry.

Train operators want to play their part in helping to make sure that the strategy for the railway over the next 30 years and more is the right one for the country. To facilitate this, we have brought forward an interlinked set of proposals, calibrated to this very different world, that can shape that successful future.

We place customers' interests and those of the communities we serve, at the heart of our proposals.

We believe the future should involve:



New contracts that liberate private sector operators to focus on delivering what their customers want, but with no prescriptive, single 'one-size-fits-all' approach.



The introduction of a new national rail body to act as a 'guiding mind' and ensure the whole industry is working together, with clear accountability.



A revolution in the retail offer, bringing fares and ticketing in line with our customers' shifting expectations, in an industry where to stand still has been to fall behind.

At a time of accelerated change, failure to reform risks rail's future viability as an essential part of a fully integrated, clean transport system, able to attract new and returning customers.



A greener railway, playing its part in meeting the UK's net zero carbon emissions and air quality targets, including the conditions for substantial growth of the rail freight sector.



A railway that delivers value for money for the taxpayer, as well as supporting both the government's objective of 'levelling up', connecting communities across the country and delivering jobs and growth in doing so.

The Covid-19 crisis has already seen operators step up to deliver the change our customers want, at pace. From engagement with local schools and education providers to deliver new, tailored timetables which deliver improved punctuality while better enabling social distancing, to offering free rail travel to those fleeing domestic violence during lockdown, the industry stands ready to step up and do more for the communities it serves.

We believe the crisis can be the catalyst for further, more profound change, and that an opportunity has presented itself for government, industry and all our partners and stakeholders to come together with a sense of shared urgency and common purpose to collectively deliver the foundations for future success.

Britain faces a choice. We can move towards a railway devoid of commercial incentives and private sector innovation, with unattractive, inflexible and restrictive contracts devised at the centre. A world where the taxpayer bears all the risk and potential new entrants to the market see little opportunity to bring new and innovative ideas to our railway. Or we move to a competitive system, with reform bringing the right blend of targets, incentives and structures for train operators and the supply chain to deliver a fantastic service to customers, to deliver more for our local communities and ultimately, to boost economic recovery.

September 2020

Introduction:

Change in a time of crisis

Covid-19 has radically altered our world

We are in the midst of a global health crisis which has changed everything. Tackling Covid-19 remains, rightly, the top priority for the world's governments and public institutions.

The pandemic has created a global recession described by the International Monetary Fund (IMF) as the 'worst recession since the Great Depression, and far worse than the Global Financial Crisis'.¹

In August 2020, the Office for National Statistics (ONS) announced that the UK had entered the worst recession since records began, with a drop in GDP of a fifth in the second quarter of the year. The Bank of England and others have warned of a surge in unemployment and 'considerable uncertainty' about the recovery.²

Governments across the globe have invested vast amounts to prop up their economies. By September 2020, the UK Government had spent £39 billion on the workers' furlough scheme and guaranteed £58 billion of loans to businesses. Old ways and old thinking have by necessity been replaced by a new sense of boldness, imagination and energy.

It is not just government which has had to adapt and change. The pandemic has changed all our behaviours, our attitudes, our assumptions and our plans for the future. We know that after 2020, nothing will be the same.

“The virus changed the railway beyond recognition”

Following the announcement of the lockdown, the railway changed overnight – nearly empty passenger trains, everyone now in masks, and the same sense of uncertainty that hangs over many areas of British life. And while punctuality has improved, people have been using the railway in different ways, reflecting changing working patterns and priorities.

In March 2020, ministers temporarily suspended the existing franchising arrangements and introduced Emergency Measures Agreements (EMAs), which recognised it was vital both to the economy and for key workers that trains kept running despite the sudden and dramatic fall-off in passenger numbers. In September, EMAs were replaced with Emergency Recovery Measures Agreements (ERMAs), in recognition of rail's vital role in our national economic recovery.

These measures were essential to prevent the industry's financial collapse and were welcomed as a sign of government's commitment to rail, but they also gave government far greater control. This level of control may lessen over time, but in the short-term it will inevitably increase, and the lack of knowledge as to what the future holds may mean more government involvement for some time to come. In the long-term, we believe the private sector has a vital role to play, and we now have a golden opportunity to design a system that maximises that role to the benefit of customers and taxpayers.

The railway and the people that work on it are resilient and have all been working hard throughout the pandemic to keep people moving, shelves stacked and the lights on, in line with the needs of the public good. This is a system, after all, that has survived two world wars and the Spanish flu pandemic, alongside the social and economic revolutions of the past two hundred years, from steam engine to smart phone. It has prospered when it has been willing and able to adapt and change. Today, we are the heirs to that same spirit of change.

Even before the pandemic the world of work was changing fast, with more remote working, flexible working, and other changing patterns of work and travel. These changes reflected the increasingly digital nature of all our lives.

The pandemic has accelerated many of these trends. Many millions of workers have taken a crash course in video-conferencing and remote working. Businesses have adapted where possible.

The future is hard to predict with certainty, but analysis commissioned by RDG indicates ‘weekly and season ticket holders are anticipating a major shift in work from home frequency, with season ticket holders anticipating they will do so on average 2.6 days a week, compared to 0.2 days prior to lockdown.’³ For those that do return, there is likely to be a considerable shift from peak to off peak travel, which means both the frequency and timings of services, alongside the fares and tickets on offer, need to adapt.⁴

Many of the early indications of how we will behave as we adjust to the virus, for example avoiding peak hours, or using the car more frequently for business and leisure travel,⁵ means the train needs to offer greater convenience and flexibility and better value – supported by a recalibrated and interlinked set of reforms to meet the challenges of the changes taking place around us.

Reform of the railway is as important as ever

The Rail Delivery Group (RDG) has been making the case for reform for several years. Although the railway had achieved much over the two decades since privatisation, with a doubling in passenger numbers – faster than any other major rail network in Europe – and a third more trains over that time,⁶ the system had reached the limits of the progress it could deliver for passengers and no longer provided the accountability the public expect.

Increased passenger numbers also meant constraints, with the smallest delay having a huge ripple effect. In other areas, the well-intentioned but outdated regulations that govern rail fares, dating back to the 1990s, have led to a range of options that had not kept pace with technology or how people live and work, even prior to Covid-19.

In September 2018, the Government had invited Keith Williams to conduct a ‘sweeping review to transform Britain’s railways,’ with passengers’ and taxpayers’ interests as the priority. This followed the failure of the East Coast mainline franchise, and the severe problems associated with the May 2018 timetable, and took place against a background of increased costs for capital projects and a reduction in the number of companies willing to bid for what had become unduly prescriptive franchise contracts.

The RDG welcomed this opportunity to institute real, lasting change and although the saliency of the Williams Review process may have declined because of the pandemic the vital importance of root and branch reform has grown.

Our document *Changing Track*,⁷ published before the pandemic, set out our key arguments to the Williams Review. We still believe the country needs a renewed, resilient railway, and we believe that is more important now than ever. One that fits and responds to changing working patterns and can maintain and build on the punctuality improvements seen during the lockdown.

We should not want or expect a return to the way things were before the pandemic. When the liberal reformer William Beveridge wrote his blueprint for the welfare state, which transformed our social landscape after 1945, he said ‘a revolutionary moment in the world’s history is a time for revolutions, not for patching.’

We believe this is another such moment. Crises tend to serve as catalysts for change, and change the ways we think, organise our societies, and run our institutions and public services.

The current crisis provides a similar catalyst for Britain’s railway. The case for change has become more, not less, compelling because of Covid-19. As well as the issues that already existed – over-centralisation and overly prescriptive contracts leading to a loss of focus on customers; a lack of accountability; fares regulations that were incapable of adjusting to changes in our society and confused the end user – the railway must also now help Britain build back better.

We must seize the opportunity for reform – and the private sector has a vital role to play

Our priorities now reflect the changed circumstances in which we are operating, and how the demands on rail travel and freight transport are likely to change because of Covid-19 and broader economic, societal and cultural change. Many of our previous proposals still hold true but the pathway to get there is very different and the need is greater.

We believe continued private sector involvement in the railway can open new sources of investment, reduce the cost of the whole system and hasten economic growth. The Government has placed its emphasis on major infrastructure projects to generate jobs and boost the supply chain, and this will include the railway. But, as new societal trends develop in the wake of Covid-19, it is the private sector that is best placed to respond, to adapt to them and help develop and grow new markets.

Train operators want to engage on the future and work with government and other parts of the industry to shape that future as an absolute priority. As EMAs have evolved into ERMAs, the contractual pathway on which to implement reform at pace is now in place, and we must not miss this opportunity.

What reform could deliver

With bold reforms, train operators, working with Network Rail and the wider supply chain would deliver significant improvements for customers and taxpayers.

Keeping the railway at the heart of our economy

- Train operators would work with Network Rail and governments to develop a long-term strategy for the railway, ensuring that it reflects the needs of the customer of the future, maximises its contribution to economic growth, and connects communities to support the Government's levelling-up agenda.

A better service for customers

- Operators retaining responsibility for the direct relationship with the people they serve every day, coupled with the right incentives and levers to respond with agility to their changing needs, would mean a far more customer focused industry.
- An improved, locally led partnership with Network Rail, would see train operators build on the higher levels of punctuality and reliability delivered during this period, through the further development of a robust and market focused timetable. Train operators would work creatively to meet customer demand while improving punctuality, for example by providing longer trains as they have in many cases over recent months and using pricing to spread demand more evenly between the peak and off-peak, ultimately saving money for the taxpayer too.
- Working with Network Rail and the supply chain, train operators would deliver better value for money for customers and taxpayers, by using their expertise and market knowledge to drive efficiencies that reduce the overall cost of the railway.
- Through local understanding of the market, train operators would maximise the capacity of the railway while maintaining the safety of passengers and retaining the walk-up railway.

- Building on the expertise of having delivered passenger growth of the last 20 years, train operators would use their commercial drive to identify, develop and grow markets using tools drawing on innovations in mobile phone data analysis, CRM and digital marketing, embracing the digital revolution in our society and provide a service that meets the needs of all our customers in the coming decades.
- As our insight shows, it is likely that the lifestyle change we have seen in recent months will fundamentally alter travel patterns on the railway. Given the right flexibility within any new structure, train companies would work much more closely with the infrastructure provider to better time works to expand, or maintain the railway, taking these changed travel patterns into account. This would minimise disruption for passengers while bringing cost savings for the taxpayer.
- Train operators would play a key role in providing a more inclusive accessible railway, recognising that this will require continued investment. This will build on improvements already made such as rolling out 'Passenger Assist' and delivering on 'Access for All' commitments.
- Real time, consistent and accurate information would be provided to customers through trusted channels, and through better use of technology, embracing AI and new ways of working, building on improvements already made.

A twenty-first century retail offer that works for customers

- Train operators would work with governments to implement a revamped fares, ticketing and retailing offer that the industry could use to encourage people back to the railway when appropriate, while also suiting the accelerated changes to more flexible working patterns already underway prior to the current crisis. Encouraging passengers back to the railway is essential for the future viability and sustainability of the whole industry, given the unprecedented recent drop in passenger numbers.

A green restart for the railway

- Train operators would help to accelerate the decarbonisation of the rail industry, while supporting the decarbonisation of the transport sector overall by encouraging more people to switch modes and travel by rail, integrating with sustainable forms of transport for the first and last mile.
- Transport Owning Groups would use their international experience to work with client bodies and devolved/local bodies in the provision of more integrated multi-modal transport in Britain, including walking and cycling.

Investing in the railway's future

- The private sector can provide more sustained and value for money investment across the system and access alternative sources of funding more readily when taxpayer funding is limited or unavailable.
- Train operators would ensure that there is a diverse, skilled and expanded workforce necessary for a modern 21st century railway.

Bringing the best of the private sector

- Private sector train operators, responding to commercial incentives, would drive faster passenger and revenue growth than a public sector model alone, aiding a faster recovery from the Covid-19 crisis.
- A public-private model would deliver greater innovation, productivity and cost efficiency than a public sector model alone, thereby improving the value for money of the railway and reflecting the potential for the recovery from the impact of Covid-19 on passenger numbers to be slow. Private sector train operators have a long record to demonstrate they are the part of the industry best placed to assess demand and respond in a way that delivers the most for the lowest levels of funding
- When private operators had more freedom to act within their contracts, they were able

to bring agility and responsiveness to the railway that will deliver for customers. With the right contractual framework they can do so again.

We have become emboldened by necessity. Delivering the outcomes above means we need to reimagine the future of the railway based on the new landscapes of our economy and society, on the need to recover from recession, to get back to work, to keep people safe, to help level up the economy and to cut carbon emissions.

And for the sake of our climate, communities and citizens, we need to shape that future now.

¹ <https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>

² <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/august/monetary-policy-report-august-2020..pdf?la=en&hash=75D62D3B4C23A8D30D94F9B79FC47249000422FE>

³ Impact of Covid-19 on rail working from home trends, Jacobs

⁴ Covid-19 Rail Tracker, BDRC, August 2020

⁵ Covid-19 Rail Tracker, BDRC, August 2020

⁶ Williams Rail Review The rail sector in numbers <https://www.gov.uk/government/publications/the-rail-sector-in-numbers>

⁷ https://bigplanbigchanges.co.uk/files/docs/Changing_Track.pdf

Proposal 1: Train operators should be empowered and incentivised to take the right decisions for customers

Customers deserve for the decisions that affect them the most to be taken by those who understand them the best.

We want to put the customer back at the heart of the railway, with a framework and objectives set at a national level but within which decisions can be made closer to the customers.

That means more decisions being made by those who best understand the needs of customers and their local markets – train operators. With the right conditions and the right incentives, greater empowerment to train operators, not more centralised decision making, can deliver a step change in customer experience. Our proposals would not only support economic growth, they would deliver more private sector innovation and involvement in more areas, more private sector investment in a constantly improving railway, and more returns to the public purse from a vibrant, growing market.

The old franchise system often stymied private sector train operators from doing what, with the right framework and targets, they can do best: delivering a high quality service to passengers; innovating based on changing technology and customer expectations; investing in the future; and doing this all in the most efficient way, reducing the burden on the taxpayer.

As we made clear at the start of the Williams Review, we believe bottom-up customer demand is the best way to drive improvement and innovation, with a system that supports decentralised decision-making and is flexible and powerful enough to make change happen within the overall system-wide context. Empowering train operators to deliver better outcomes for customers means change will happen faster, better, and happen organically and continuously. It is, after all, train operators who have the direct relationships with customers and are therefore best placed to understand their needs. We must be ready to respond when that customer demand returns.

To facilitate this new way of working a major area of reform that should emerge is new types of train operator contracts. We believe new contracts should be flexible, not prescriptive, and allow operators to focus on providing a great quality service while also providing better value for taxpayers. This is what will enable us to build a customer centric railway, create new high-skilled jobs and apprenticeships, boost our manufacturing base, develop new technologies and deliver greater efficiencies, and level up the regions and nations of the UK.

In commuter markets where customers want a fast, efficient and cost-effective journey to and from work, with clear accountability for the standards of service, contracts could be a 'concession' style agreements, where companies are paid a straightforward price for the job of running an effective rail service. This might be a contract issued with a city-region or mayoralty, or other national or local authority, depending on what works best.

We see a strong role for devolved authorities in England: they could specify and award these concession service contracts once they had the capability, the funding and the accountability to do so, including closer integration of rail with other modes of transport, and perhaps even take on some or all of the revenue risk associated with the delivery of passenger services.

This is the model of gross cost contracts adopted by Transport for London for its London Overground rail contract, as well as the successful experience in similar rail commuter markets in other countries such as Germany. As the UK constitution continues to evolve, and more powers are passed to city-regions and metro-mayors, we want an agile railway system that recognises new democratic realities. The recent announcement of the multi-year collaboration between the Department for Transport and Transport for the East Midlands is a step in the right direction.

Other contracts should be structured around customer-focused ‘outcomes’ – for example to increase customer satisfaction – but leave it for the operator with strong links to the customer to implement and where necessary change initiatives to deliver this. This could suit markets where customers have greater choice of when and where to travel or where there is competition from other forms of transport. With these kinds of contract, the balance of risk and reward would be shared fairly between private and public sectors.

We also know by asking our customers that they like a choice of operators on long-distance routes, so new arrangements might include structured competition between operators on the same routes, benefitting customers. Competition is key to driving improvements, as operators compete to offer potential customers the service that is right for them. This means focussing on getting the bidding for these contracts right, so that the focus is on the customer and not simply a competition for who can deliver for the lowest cost.

Contractual reforms such as these would enable the railway to be much more agile and responsive to what customers want and need and more resilient to external events. They would support the creation of effective partnerships with local organisations and Network Rail’s regions to drive local change. And they would lead to sustainable increases in passenger demand in a radically different world; higher levels of punctuality and customer satisfaction; and a more cost-effective railway designed to focus on delivering the right outcomes for customers and passengers.

For our wider society and economy, it would mean:

A faster recovery from the economic effects of Covid-19 by supporting sustainable growth across Britain.

A recovery that reflects the different requirements of different parts of Britain – supporting the levelling up agenda and helping to rebalance the economy.

Benefits to customers and taxpayers from increased revenue and reduced costs.

Proposal 2: A railway working collaboratively to deliver for customers

Success depends on working together, with a clear sense of who is in charge.

In today's railway, there are many different rail bodies, sometimes with conflicting agendas, but no single 'guiding mind'. This creates confusion in the mind of the public and blurs lines of accountability.

Clearer accountabilities can be delivered through creating a line of sight from the customer, to the train operators directly responsible for delivering their services, through to Network Rail as the key supplier of infrastructure services, on to a new independent national rail body, and finally to governments, who decide public policy and funding levels. The new independent body would set the outcomes that need to be achieved and carry out detailed strategic planning, while also incentivising Network Rail and train operators to achieve those outcomes through effective partnership working.

Before the pandemic, in a world of ever-more complex, highly specified and inflexible passenger franchise contracts, the industry lost some of its focus on the needs of the customer, in favour of fulfilling tight contractual obligations. We know from past experience that centralised decision-making on a whole system as complex as the railway can be slow, cumbersome, and lead to perverse outcomes. A continuation of that system would set the railway back, not set it on a path to deliver more.

What matters most is the goal – that we genuinely empower and correctly incentivise the people closest to the operation of the railway day-to-day to make the day-to-day decisions, with the politics taken out of those decisions. A new independent national rail body needs to have the courage to develop a structure and contractual framework to enable this, and which recognises that there may be different ways and different approaches to achieve the same objective in different locations. That cannot be delivered through a single, monolithic model.

Of course, within this new system government retains a vital role. The railway as a whole is a critical public service and public asset. Government should set the overarching objectives (for example economic growth, levelling-up nations and regions, faster decarbonisation, shifting people and freight off the roads and into rail) and the broad strategy.

It also needs to make the long-term decisions such as those on HS2, which will be felt in two, three or even five decades' time. But in the short-term, decisions which directly impact on the customer should be made by local managers who know their part of the system best (based on flexible contracting arrangements as set out in Chapter 1). And in the medium-term, over the next five or ten years, decisions should be made with greater co-ordination and partnership between the different players, overseen by the new 'guiding mind'; and so as to make continued progress towards delivering the longer-term objectives.

The independent national rail body should sit above both the operational and infrastructure sides of the industry and ensure they work as equal partners to develop better timetables; improve punctuality and customer satisfaction; manage the increase in customer demand by spreading that demand better across the day; as well as creating more capacity to support growth in the rail freight industry; decarbonise rail; and deliver the major infrastructure projects needed to boost our economy. This must be a genuine partnership of equals for the system to work effectively for the customer, delivering a more punctual and reliable railway as passengers begin to return to the railway.

Another important role for a new independent national rail body would be to balance the needs of city-regions with national priorities and to hold the ring on complex, nuanced decisions. We need, for example, a system which works for our national freight operators, who transport goods across the UK, crossing different UK nations and local authority areas.

Train operators can develop joint performance improvement plans and timetables which result in high levels of reliability and punctuality; contribute to local plans for managing the infrastructure; enable optimised engineering access so infrastructure costs can be reduced; implement reform of the fares system to suit the way people live and work and to attract more people back to the railway; accelerate the decarbonisation of rail; help Network Rail to accelerate investment at an efficient cost; bring more private sector investment to the railway thereby reducing the burden on the taxpayer; and press ahead with ensuring we have the skilled and expanded workforce necessary for a modern 21st century railway.

If done correctly, this disaggregation of strategy and tactics, of short-term and long-term decisions, and a new spirit of subsidiarity on the railway, will prevent the railway being a political football, and instead deliver an ever-improving service.

The railway will succeed if it has the resources, flexibilities and freedoms to do three things: invest in our existing products and services, create new ones that attract people onto the railway, and deliver the kind of performance improvements that delight our customers and that they tell their friends about. This cannot be delivered from Whitehall alone.

For our wider society and economy, it would mean:

Higher levels of punctuality and customer satisfaction that support a sustainable increase in passenger demand in a way that responds to the post-Covid-19 environment, increasing revenue and reducing costs for the benefit of taxpayers.

A more cost-effective railway designed to focus on delivering the right outcomes for customers, taxpayers and local communities.

Proposal 3: A retail offer fit for the future

The travelling public has changed. So must fares and ticketing.

One of the areas where there is the most pressing need for radical change is in how people can choose and buy their tickets. At privatisation, the legacy British Rail fare structure was left in place and regulated, with demand being driven by adding new products and fares. This has resulted in over 55 million different fares in a complex and hard-to-navigate structure built on layers of out of date regulation and misguided stipulation that no longer reflects the way we work or travel.

The Rail Delivery Group has long argued that we need a twenty first century approach to retailing, and that the system of fares and ticketing needs to change. Before the pandemic we conducted the largest ever consultation into what passengers wanted from a fares system, and 84% wanted reform.⁸ Even then, declining season ticket sales – which fell from around 5.3 million tickets sold in 2015 to 4.6m in 2019 alone – provided evidence that it was not reflecting their needs. Just as importantly, it was not efficient in generating revenue or spreading demand more evenly throughout the day, distorting times of travel and preventing the creation of more flexible commuting and leisure fares to grow the rail market.

The need for fares reform is now even greater, with many lifestyle changes potentially embedded in peoples' behaviour. Independent analysis shows that the average days a week a commuter expects to work from home post-lockdown has risen from 0.5 to 2.6 days. It also shows that of all occupations, office-based clerical roles, the largest rail commuter group, have the largest increase of working from home expectations. Recent figures from the Institute of Directors indicate that 74% of company directors expect to see increased home working in the future.⁹ Indeed, across all modes, rail commuters expect the highest working from home increases in a post-lockdown world.¹⁰

At this point, for many, season tickets cease to be a cost-effective choice and instead become a potential deterrent to those with an option to bypass rail.

Even more concerning for the environment is data which suggests that the car will become a more attractive mode of transport to the train, especially amongst business and leisure travellers.¹¹ This gives rise to the potential for a car-led recovery, with all the attendant downsides in terms of traffic, air quality and productivity.

This future is not inevitable, but enabling the railway to survive and thrive does require bold thinking. We believe the fares and ticketing system should be agile, fair, and enable more passengers back onto the railway as more people return to work; at the same time delivering higher revenue growth through more efficient use of the network, which in turn supports operational improvements in punctuality. This is vital for the future of the railway as a whole – unless we can attract customers the whole shape and sustainability of the industry risks permanent damage.

Against this background, the regulated provision of 'season tickets' which are based on making the same journey five days a week, to the same place, at the same time, year after year does not reflect passenger requirements and drives poor value-for-money outcomes. With the traditional season ticket there is no incentive to travel at non-peak times or on different days of the week. This is the kind of barrier to innovate and improve for our customers that needs to be removed.

Instead, we argue for a system that reflects the actual journeys people take, no matter how complicated and irregular. It must be able to reflect these rapid changes to patterns of employment. We also need to spread people's journeys over the whole day, to avoid overcrowded trains at busy times and almost empty carriages at other times. This was already the case from a position of passenger comfort and demand management – now it is also a matter of public health and winning back passenger confidence.

For longer distance travel, we argued for a reform of off-peak regulation that has resulted in cheap tickets at certain times of the day with crowded trains, while other services were half empty. We demonstrated that proper reform of the long distance fares structure would overwhelmingly result in lower prices on average, better distribution of demand and higher revenues on these long distance routes, with those at the margins of the peak period either absorbing only a slight higher fare or being able to adjust their travel time to better suit their needs.

As more people travel within the UK rather than abroad, we want to help people rediscover the joys of the British seaside holiday, the great towns and cities, the countryside and other attractions. Much of the railway was built to give our great-great-grandparents the chance for a 'staycation' in Blackpool, Brighton, Bridlington or hundreds of other British resorts. We want to be able to offer even more incentives to enable more staycations and daytrips – good for the economy, good for wellbeing and good for the environment by providing an alternative to domestic air travel.

We want to use technology that is already available to allow tickets to be bought easily and straightforwardly up to a few minutes before departure, for the best possible price based on availability – no more shock last minute fares if you cannot book in advance – and which regulation currently distorts. We want a system that can competitively price the kinds of complex or non-core journeys that the current system does not allow for – these are the key to providing an alternative to the car and getting new people to try rail.

The way people have been buying tickets has changed dramatically in recent years, with a far greater focus on cashless transactions and far less on paper tickets. We need to recognise this trend is only likely to accelerate and we should embrace it and plan on the basis that it will, creating new commercial opportunities.

We want this to shape the new customer experience: a retail offer that works for the customer, incentivises travel at quieter times, is flexible and adaptable as people's plans and the external landscape changes, and one that we can guarantee is the best fare for their needs, every time. Our economic analysis has shown that this improves yields as well as satisfaction, and therefore delivers the best possible deal for the taxpayer, while dramatically improving the experience for passengers.¹²

The biggest impediment to change when we first made our plans public was the complex interaction of various pieces of contractual regulation – in particular the way that the industry-wide Ticketing and Settlement Agreement (TSA) related to fares regulation in individual franchise agreements, binding the system to a mid-1990s landscape that no longer existed. We argued for a two-stage process of change that unshackled these interactions and allowed reform of different parts of the network to reflect the relevant needs of those businesses and customers.

The response to the pandemic, with the introduction of EMAs and, subsequently, ERMs, has dramatically accelerated the capability to deliver this, as multiple contracts are now open for resetting to enable the needs of passengers and the economy to drive change. The most pressing reform is to deliver on the promise for products for part-time workers, and RDG has been working with government to draw together smart ticketing capability and the functions of the existing fare system, to modernise our offer to customers in a way that can evolve into the pay-for-what-you-use model across the country.

At the same time, we must work with government to reshape what future regulation can look like, so that private sector operators are incentivised to deliver the right outcomes for current and future passenger needs. This is essential in an era of social distancing, and when the time is right, will bring back growth faster than with an unreformed system.

In summary, the roadmap that we set out to a modern retail offer, underpinned by fares reform, is more appropriate than ever in a post-Covid world, where the industry must pull its full weight in delivering economic recovery.

The benefits to customers from a new retail offer will be swiftly apparent: more attractive options for fares which reflect actual use, better spreading of demand across the day to avoid overcrowding and improve punctuality, and the confidence to passengers of the best price guaranteed, without the need for split tickets or complicated attempts to game the system to save money. Customers are asking for a simple, flexible system, and they deserve us making this an absolute priority. A fast track reform of fares is the surest way to enable this, boosting support for the railway and generating revenues for UK plc.

For our wider society and economy, it would mean:

With a new offer that meets customers' changed needs and encourages them to use rail, we would see customers returning to our towns and city centres more quickly and, as a consequence, a faster recovery from the economic effect of Covid-19, but with increased flexibility and resilience for what may be rapidly changing circumstances.

As a result of the growth this would promote, the burden on taxpayers would be reduced.

By enabling seamless, multi-modal, low carbon transport it would accelerate the UK's progress towards its net zero 2050 target.

⁸ https://www.raildeliverygroup.com/files/Publications/2019-02_easier_fares_for_all.pdf

⁹ <https://www.iod.com/news-campaigns/news/articles/Home-working-here-to-stay-new-loD-figures-suggest>

¹⁰ Impact of Covid-19 on rail working from home trends, Jacobs

¹¹ BDRC Covid Rail Tracker, August 2020

¹² https://www.raildeliverygroup.com/files/Publications/2018-05_towards_a_future_fares_strategy.pdf

Proposal 4: A net zero carbon railway, helping to tackle climate change

A reformed railway can help reduce carbon emissions both in rail and the wider economy.

The immediate deadly threat to our wellbeing comes from the Covid-19 virus, but the greater looming threat comes from climate change. As the United Nations Intergovernmental Panel on Climate Change (IPCC) has stated, alongside many other scientific bodies, the case that the climate is warming is unequivocal and it is 95% certain that global warming is caused by human activity.¹³ The UK Government has signed the 2016 Paris Agreement, committing to stem the rise in temperature to under two degrees, and has subsequently passed legislation to reduce carbon emissions to 'net zero' by 2050.

In the months before the first cases of Covid-19, the wildfires in Australia, the floods across Southern Asia, the lengthening lists of endangered species, and the voices of campaigners, scientists, and NGOs, from NASA to the WWF, had placed the climate emergency at the top of the agenda. Then the pandemic dominated our thinking and other issues took a back seat.

Despite our attention being elsewhere, the climate emergency has not lessened. The pressures on our infrastructure and way of life from the pandemic are nothing compared to the devastation that will come from continuing global warming. Indeed it has even been argued there is a link between global warming and the likelihood of pandemics becoming more frequent and virulent.¹⁴

The railway is crucial to meeting the Government's carbon net zero target. As the International Energy Agency (IEA) points out, rail is among the most efficient and lowest emitting modes of transport, helps reduce greenhouse gas emissions, congestion and air pollution, and the growing number of electrified services are 'uniquely positioned' to take advantage of the rise of renewables in the electricity mix.¹⁵ It has been estimated that taking the train from London to Edinburgh, for example, reduces carbon emissions by 87% compared to flying.¹⁶

Similarly, goods transported by rail have a significantly reduced carbon footprint compared to goods transported on lorries, with each tonne of rail freight producing 76% less carbon emissions than HGVs (not to mention a reduction in traffic congestion and road traffic accidents, air pollution, and lorries rattling through our cities, towns and villages).

Equally, the UK Government is committed to improving air quality and reducing emissions of nitrogen oxides from the 2005 baseline by 73% by 2030, and rail is key to enabling this, encouraging passengers to choose rail and companies to choose rail freight over road, given that every freight train removes up to 76 lorries from our road network.

We are committed to creating a ‘net zero’ railway by 2050, including procuring more of our electricity from renewable sources, with dramatic reductions in stages to meet the target. The decisions we take now will count towards hitting the target in 30 years’ time. A fast track to net zero requires:

- Building carbon reduction targets, and wider environmental goals, into new contracts, including passenger service contracts.
- Giving a new independent national rail body responsibility for carbon monitoring and environmental regulation of the rail industry.
- Using our proposal for a modern retail offer to encourage more people off the roads and onto trains, to encourage more rail travel within the UK (for example for holidays).
- Putting transport taxes on a level playing field – reflecting the environmental impact of different modes of transport in a consistent way.
- Speeding up the rolling programme of electrification – we are proud that 70% of journeys are on cleaner greener electrified track but we want to go further.
- Providing clarity for the long-term about major infrastructure decisions so the industry can plan its carbon reduction with some certainty.
- Developing more incentives to boost the freight sector, helping companies get their goods to market, and helping producers get the materials they need, without adding to pollution and congestion.
- Encouraging seamless integration between trains and other forms of low-carbon or no-carbon public transport, including cycling and walking, for the passengers’ onward journey. A shift to more walking and cycling will add to the public’s health and mental wellbeing, if it becomes embedded in our culture and habits.

The railway industry stands ready to make a significant contribution to the UK’s commitment to net zero. We can deliver economic recovery and growth without making the carbon footprint bigger. In France, progressive policies are encouraging modal shift to rail, away from air for domestic long-distance travel. That should be an achievable goal for the UK too; through a combination of tax policies and reforming rail fares. A reformed railway will encourage more passengers out of their cars and more freight off our roads, and most importantly, we can reduce the number of flights within the UK with their vast emissions of greenhouse gasses and damage to the environment.

For our wider society and economy, it would mean:

Supporting a green restart of the economy post-Covid-19 by delivering significant and immediate carbon reductions through growth and encouraging people and businesses to choose rail.

Building on that green restart to make faster progress towards a net zero railway as a contribution to the UK’s net zero 2050 target.

¹³ <https://www.ipcc.ch/report/sixth-assessment-report-cycle/>

¹⁴ <https://blogs.worldbank.org/climatechange/fighting-infectious-diseases-connection-climate-change>

¹⁵ The Future of Rail International Energy Agency (IEA) <https://www.iea.org/reports/the-future-of-rail>

¹⁶ <https://www.seat61.com/CO2flights.htm>

Proposal 5: A growing railway that is ready for whatever change may bring

The pandemic makes predictions harder. Reform can help us deliver the infrastructure we will need.

We do not know yet what the precise medium- and long-term impact of Covid-19 will be on passenger numbers. We know that many of the underlying factors which were driving up passenger demand before the pandemic, such as population growth and rising environmental awareness, remain. Other factors, such as home working, may serve to stem demand.

If these trends herald a significant shift in population, and a change to longer, but less frequent commutes for example, it will place further and different demands for more flexible services.

Equally, it may not be clear for some time what the impact on rail freight will be. Potentially, we could even see a greater demand for goods, with more demands on freight operating companies and more freight carried on the railway.

Whatever the impact may be, as it becomes clearer it is certain that investment will be needed. Not only will investment benefit the people and businesses that already rely on rail, it will support communities the length and breadth of Britain by boosting economic growth and helping to level up their access to opportunities. To do this, we need to regain the agility in the system that had been lost from the franchising model in recent years and build on this renewed agility in the decades ahead.

For the Prime Minister's goal of 'levelling up' the disadvantaged communities of the UK to become realisable, it will require a railway providing greater connectivity to all parts of the country, enabling the free movement of freight and people. For example, 87% of economic activity in the freight industry takes place outside of London and the south east, and an even-greater shift to rail would create more high-skilled jobs and apprenticeships in the regions and nations beyond London and the south east, contributing to the levelling up agenda.

We welcome the Government's recognition of the value of investment in rail through the continued commitment to HS2, which began construction at the beginning of September this year and which will, in time, deliver a step change improvement to capacity and connectivity on our railway.

Equally, the Government has shown, with its Restoring Your Railway and Ideas Funds, that it recognises rail's unique potential for better connecting our regions and helping local economies to flourish. The restoration of new lines, must not be at the expense of existing ones, we must increase connectivity – not just trade it in.

This investment, however, will need to be delivered at a time when the public finances are under unprecedented strain. As tax revenues have fallen and government spending has increased, the budget deficit is increasing. The longer the effects of Covid-19 are felt, the higher the cost to the taxpayer. The budget deficit in 2020/21 is predicted to reach a level last seen during World War II.

The outlook for the public finances in the coming years depends on the strength of the economic recovery. Not only can investment in rail boost economic recovery, the more cost-effective that investment is the lower the burden on taxpayers, and the bigger the bang for the buck.

This presents clear challenges to the industry: we want to grow, and balance that growth with the reduction in carbon emissions. We want to maintain the higher levels of punctuality that have recently been achieved, and balance that with increased capacity, more new trains, carrying more freight, and a greatly improved customer experience. But we recognise this must be achieved in a cost-effective way that places the minimum possible burden on the taxpayer, and believe the private sector has a record that demonstrates it is best placed to do this.

This means we need to address the current barriers to private sector investment, for example in stations and infrastructure, and ensure the UK is not choking off sources of investment for no obvious good reason.

We see the new independent national rail body we are advocating as central to enabling the growth of the railway. This coordinating body should serve to maximise investment across the railway system, drive down costs, ensure projects are delivered on time, and 'join up' new projects across the whole system.

Greater efficiency, and more private sector investment, adds up to a better deal for the taxpayer. By ensuring the railway is a net contributor to the British economy, not a drag on public expenditure, we can liberate taxpayers' cash for other vital public services such as the NHS and social care.

For our wider society and economy, it would mean:

A faster recovery from the economic effects of Covid-19 by supporting sustainable growth across different parts of Britain – supporting the levelling up agenda and helping to rebalance the economy.

Higher levels of punctuality and customer satisfaction that support a sustainable increase in passenger demand in a way that delivers the right outcomes for customers while increasing revenue and reducing costs for the benefit of taxpayers.

By enabling seamless, multi-modal, low carbon transport it would support a green restart of the economy post-Covid-19 and accelerate the UK's progress towards its net zero 2050 target.

Conclusion

The opportunity is there – our future depends on seizing it.

The Covid-19 crisis has revealed a country capable of greatness. Our key workers, including those on the railway, have performed incredible feats of dedication and sacrifice, millions of people have helped look after their loved-ones and neighbours, we have conjured Nightingale hospitals in a blink of an eye. We have changed. And we are not going back to the old thinking, old habits and old assumptions that existed beforehand.

The current crisis can be the catalyst for change on the railway, presenting us with a once-in-a-generation opportunity for reform.

What should our priorities be?



Government should develop clear strategic objectives for rail in the wake of Covid-19.



We must develop a clear structure of accountability that puts customers' interests first, with the decisions that affect them the most made by those who understand those interests the best.



A new national rail body should be introduced in shadow form as soon as possible with a clear mandate to develop the strategy for delivering the Government's objectives and the commercial model that encourages new entrants to the market and ensures the private sector supports that delivery at an efficient cost.



There should be a clear requirement on both operations and infrastructure to work alongside each other in an equal partnership to develop better timetables; improve punctuality and customer satisfaction; manage demand to create more capacity; support passenger and freight growth; decarbonise rail; and plan, design and oversee major investment projects.



The new independent national rail body should develop a joined-up approach to investment and infrastructure decisions that creates certainty for government and the industry and enables the railway to decarbonise in a cost and time effective way including through a rolling programme of electrification.



We must establish a new, modern retail offer which incentivises many more passengers to use the network and facilitates seamless travel between other, low carbon forms of public transport.



Government should set contractual carbon targets: include carbon and wider environmental targets within future passenger service contracts and give a new national rail body responsibility for carbon monitoring and environmental regulation of the rail industry.



Government should level the transport tax playing field: ensure transport taxation and charging regimes reflect the environmental impact of each transport mode in a consistent way.



We must establish a framework that incentivises growth in the rail freight sector to maximise its environmental benefits and support further investment.

We are grateful for the support the rail industry has received and are seeking reform so the railway can play its part in helping Britain weather the recession, aid the recovery, and contribute to our economic prosperity deep into the twenty-first century. We see the railway as a central part of British life for decades to come, responsive to our customers and reflective of our society's needs. The Emergency Recovery Measures Agreements can provide a stepping stone to a better railway.

Our proposals will help the UK Government to restore the public finances to good health through a faster return to growth, with the private sector bringing its experience, innovation and investment to a more cost-effective delivery of the Government's objectives for rail.

Improved connectivity will support faster economic recovery and enable the disparate parts of the regions and nations of the UK to share fairly in growth.

Efficient, integrated transport systems mean that no community is left behind as the economy picks up. Our proposals benefit the taxpayer by creating an environment to accelerate revenue growth and reduce costs while lessening the burden from investment in infrastructure.

Private sector investment in the railway would mean more public sector investment available for health and education. We can hold up our side of the bargain in helping to deliver a zero-carbon future. A reformed railway is key to Britain building back better.

We can use reform as an opportunity to build a long-term future that inspires our people and enables us to create more and better jobs. A reformed railway, confident in its role and its place in building Britain's future, can also help us attract and retain the best talent—a diverse industry with the skills and leadership to shape that future.

Our reforms are not piecemeal or reactive; they aim to embed reform and modernisation as a constant within the system, allowing the railway to constantly adapt and improve as society and the economy changes, now and for decades to come.

“But the most important point is that we use the opportunities now to build a successful future.”