

# Rail Delivery Group

Response to:

## Union Connectivity Review

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## **Introduction**

### **ASSESSING THE NEED FOR CROSS-BORDER CONNECTIVITY**

#### **Connectivity is about more than infrastructure.**

The Rail Delivery Group (RDG) is committed to supporting a stronger Union. Rail companies already play an important role in strengthening communities and economies across the nations and regions of Britain and can, with the right infrastructure and policies, support wider ambitions to level up and meet the net-zero target by 2050.

As Britain looks forward to recovery from the current coronavirus crisis, rail companies seek to enhance customer experiences, making it easier and more attractive for rail users in every nation and region to travel to every corner of Great Britain.

Though new rail lines, stations and signalling enhancements are an essential part of a better-connected Union, how passengers use that rail network, which forms the spine of the United Kingdom (UK), is just as crucial.

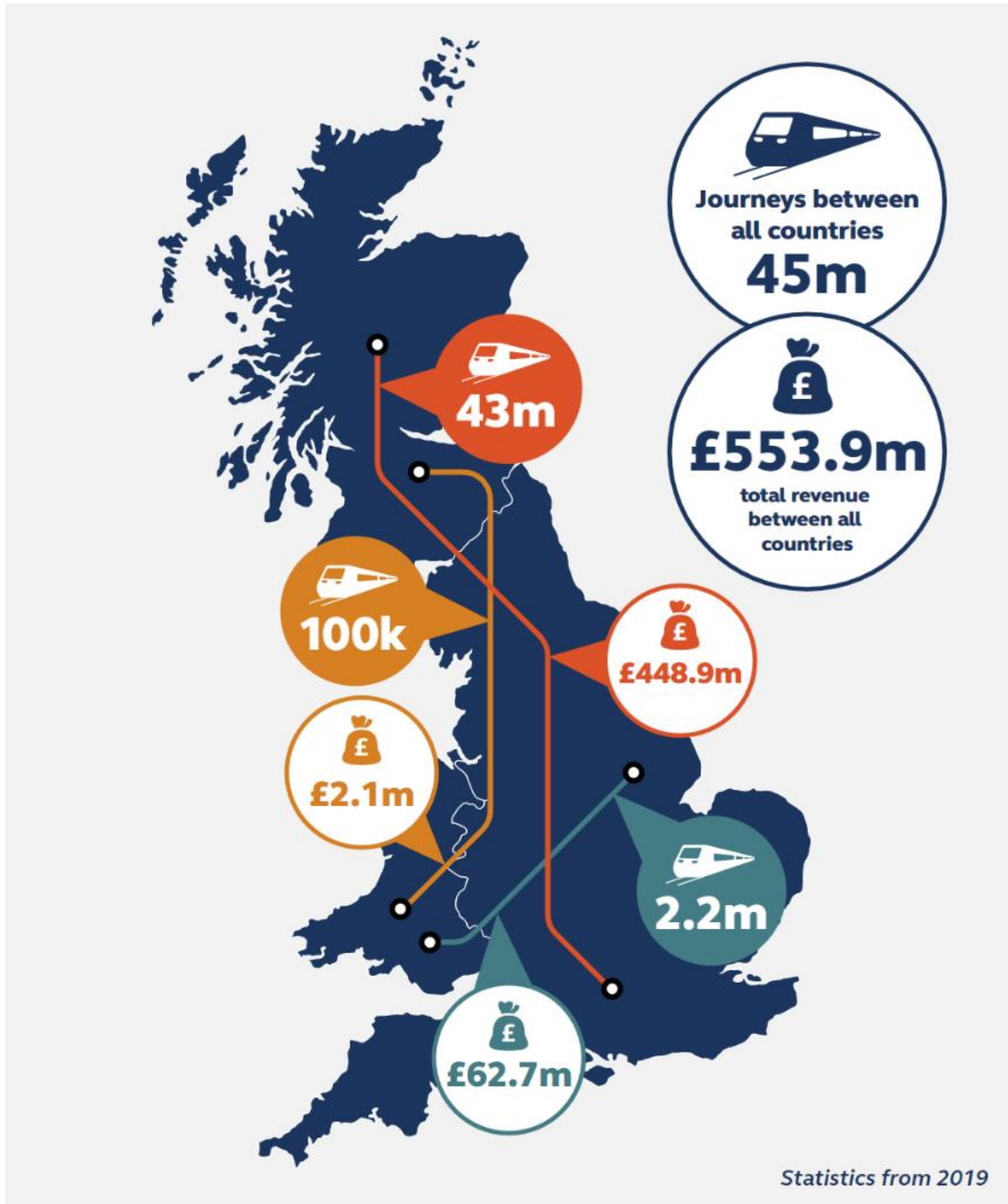
Trends, such as flexible and remote working that were evident before the pandemic, have accelerated and are likely to become the norm for many people. The possibility of migration from major urban areas to the regions and nations is an important consideration for rail journeys.

With change comes the requirement of a fares system that supports increased journeys between England, Wales and Scotland. A fares system that personalises the passenger experience and helps the industry attract new customers, giving people the flexibility they are used to in other aspects of their lives when making, sometimes lengthy and costly, journeys across the country for business or leisure purposes.

#### **Key Recommendations**

- When considering infrastructure projects with an eye specifically to connectivity, a whole system approach must be undertaken.
- Invest in key infrastructure projects, High Speed 2, Northern Powerhouse Rail, and a commitment to Crewe as a travel axis of the three nations.
- Deliver the Digital Railway programme to increase capacity and performance.
- Commit to a rolling programme of rail electrification, which would reduce costs and deliver faster, greener connections.
- Identify and develop energy strategies which include multi-modal, low-carbon transport initiatives, including but not limited to hydrogen and batteries.
- Single-leg pricing should be introduced to enable personalised incentives for individual passengers in all nations.
- A digital first approach to retailing, which gives customers confidence that they have the right ticket at the right price and allows seamless movement around the entire British rail network.
- Implementation of flexible contracts which allow operators to respond to the needs of customers locally, affording them the freedom to incentivise travel throughout the Union and contribute to net-zero and levelling up policy ambitions.

- Within new contracts, change current regulatory structure to allow UK rail operators to utilise yield management via price signalling.
- Consider increasing the size and scope of the Mode Shift Revenue Support budget to further reduce carbon emissions in the freight sector and decongest the road network.



## **OPPORTUNITIES FOR IMPROVED TRANSPORT CONNECTIVITY BETWEEN THE NATIONS OF THE UK**

The rail industry is in a unique position to grow Union connectivity at the same time as contributing to a greener future through increasing reliability, frequency and availability of services for passengers and freight; encouraging and facilitating modal shift to rail; and decarbonising the railway.

Before the pandemic, most rail transport arteries between the nations of the UK, for example the West Coast Mainline, were at least in parts, at capacity. This is evidenced by Network Rail's capacity studies which, in the case of the West Coast Mainline, indicates that "[there] is no available capacity without significantly impacting performance and causing a reduction in timetable resilience"<sup>1</sup>.

Furthermore, current existing rail infrastructure (e.g. electrification, signalling or loading gauges) is not uniform on Britain's railways, which makes continuous running of one type of passenger or freight train across the entire network challenging, limiting connectivity in some areas. It is therefore recommended the Commission look at quick win schemes, such as electrifying short stretches of unelectrified railway. Network Rail Regions have identified projects which can harness the cost and time benefits of uniform running of passenger and freight trains, through their analysis and planning processes including the Continuous Modular Strategic Planning.

Infrastructure projects, by their very nature, are costly and take a long time to deliver. While they are the obvious solution in some cases to improve performance, reliability and stimulate local economies, a whole system approach must be undertaken to ensure that the knock-on effects of an individual project to other parts of the network are considered to avoid the creation of anomalies or further congestion. The Burns Commission recommendations are an illustration of this. For example, if any of the proposed new stations were delivered, that would in turn have an impact on capacity and timetabling, due to additional stops. Any appraisal of the impact of an individual project must be extrapolated out to the wider networks when considering its viability.

It is possible to make better use of existing network capacity by spreading passenger demand through innovative pricing and new ways of ticketing. These will generally be a more cost-effective and less disruptive approach than infrastructure for residents and visitors to all nations.

The acceptance of interoperable ticketing will also be vital to retain connectivity. RDG welcomes the Scottish and Welsh Governments' decisions on cross-border barcode and smart card acceptance.

### **Infrastructure projects**

#### **High Speed 2 Eastern Leg Extension**

The construction of High Speed 2 (HS2) will inject extra capacity onto Britain's rail network.

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<sup>1</sup> [West Coast Main Line Capacity Assessment 2020](#), System Operator, February 2020

Once delivered, it will have the ability to carry up to 300,000 passengers a day, in turn freeing up more capacity on existing lines and allowing for more passenger and freight services to Britain's major cities<sup>2</sup>.

With its route spanning across England, HS2 can provide the foundations for a new generation of connective transport between the cities of Great Britain, including by supporting onward services to Wales and Scotland.

The UK Government should also commit to the proposed Eastern Leg extension to Leeds. This would not only create greater connectivity to one of the UK's major cities, but also increase capacity and decrease journey times to major hubs like Newcastle and onward connections to the East Coast Mainline, supporting and promoting additional Scottish - English connections.

It is also recommended the Government considers the case for further expansion of the conventional and high-speed rail network to improve connectivity between England, Scotland and Wales.

In 2019, there were 45 million Union connecting journeys, over 40 million of which have been between England and Scotland<sup>3</sup>. While this is a significant enough statistic in and of itself, this has also produced a total revenue between countries of £553 million – greatly emphasising the importance of not only maintaining transport routes across the Union, but actively growing them.

In comparison, only 2.2 million journeys took place between England and Wales in 2019, while journeys between Wales and Scotland accounted for only 100,000 journeys, highlighting the case for further investment in infrastructure supporting travel between the two nations.

### **Northern Powerhouse Rail**

Northern Powerhouse Rail (NPR) is one of the most important infrastructure projects after HS2 as the route connects most of England's core Northern Cities, improving speed and capacity across the North, including North Wales.

NPR is set to add £3.4 billion a year to the economy of the North of England and can take 64,000 car trips a day off the road<sup>4</sup>. The improved connection will provide better links in the North to cross-border services, for example supporting better, greener travel across the region into North Wales.

### **Crewe Northern Connection**

The Crewe Northern Connection is currently being consulted on as part of the Phase 2b consultation on HS2. The current proposal would allow an interchange between HS2, NPR and connections to North Wales and the West Coast Mainline.

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<sup>2</sup> [Capacity – helping reduce overcrowding](#), HS2, 2020

<sup>3</sup> [Union Connectivity and Revenue Journeys](#), Rail Delivery Group, 2020 (see Appendix for graphs)

<sup>4</sup> [The potential of Northern Powerhouse Rail](#), Transport for the North, September 2019

It is therefore strongly recommended that Government proceeds as swiftly as possible with the upgrade and enables Crewe to become a real axis in the travel between all three nations.

### **Digital Railway Programme**

The rail industry's plan to transform the rail network for passengers, business and freight operators by deploying modern signalling and train control technology to increase capacity, reduce delays, enhance safety and drive down costs should be funded to enable greater and more modern links across the country.

### **Electrification Rolling Programme**

A number of reports including from the Railway Industry Association (RIA), have stated that a 10-year rolling Electrification Programme and a move away from the 'feast and famine' approach to funding would bring down the cost of electrification projects by between 33-50% and deliver faster, greener connections to the rail network<sup>5</sup>.

### **Energy Strategies**

The existing port and petrochemical infrastructure in North East Wales and Merseyside represent a possibility for a hydrogen-fuelled, cross-border transport economy. The English cities of Chester, Shrewsbury and Hereford are public transport hubs that span the English/Welsh border - identification of multi-modal, low-carbon transport initiatives, including but not limited to hydrogen, batteries and appropriate low-cost electrification would enhance and build on these existing cross-border links.

### **Non-infrastructure projects**

While traditional physical infrastructure is crucial to unlocking better connectivity across the UK's four nations, there are also several essential non-physical improvements the Government should look to implement which will provide significant benefits in connecting the Union, for only a fraction of the cost.

### **Fares Reform**

KPMG research has shown that across the network, fares reform could incentivise over 300 million journeys on services with capacity for growth over a ten-year period, in addition to the 1.7 billion journeys which took place on the network pre-pandemic<sup>6</sup>.

RDG has been calling for the comprehensive reform of fares regulation since the publication of its 'Easier Fares For All' report in February 2019<sup>7</sup>. The proposed fares reform moves to a dynamic, single-leg pricing arrangement that would enable clearer, simpler and more transparent ticketing which would allow people to travel with confidence on Britain's railway. Changes such as the removal of off/on-peak ticketing would spread passenger demand more evenly throughout the day and RDG's research suggests that this would attract more people

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<sup>5</sup> [RIA Electrification Cost Challenge](#), Railway Industry Association, March 2019

<sup>6</sup> Ibid.

<sup>7</sup> [Easier fares for all: The Rail Delivery Group's proposals for a more transparent, simpler to use, modern system of tickets and fares](#), Rail Delivery Group, February 2019

to the railway<sup>8</sup>.

These proposals and industry franchising reforms would also enable pricing structures to encourage higher levels of cross-border rail use. Operators need visibility of passenger needs in Livingston, Llanelli, and Liverpool – to grow and incentivise interaction between communities. A simplified fares system, which is based on single-leg pricing, would offer better value for money for customers, enable rail companies, which are a relatively low-carbon choice, to provide an alternative to other modes for some people whose needs are not met by the current overly complex system. It would also allow operators to incentivise passengers to use rail for cross-border journeys, which could in turn strengthen Union connectivity.

## **Franchise Reform**

Although the franchise system has delivered significant achievements since privatisation, such as the doubling of passenger numbers since the mid-1990s, the industry has long been calling for change - recognising that reform was needed to deliver better outcomes for passengers and the economy.

RDG's reform proposals encourage a flexible approach to contracting rail services, ensuring operators across nations and regions have the right model to fit their local community<sup>9</sup>. This means empowering local operators to act on behalf of their customers while enabling them to work much closer in cooperation with Network Rail route teams.

Through greater operational and commercial freedom, operators have the greatest insight into their customers, and can therefore deliver the outcomes that their local communities want. Passenger services will better serve Union connectivity as a result: intercity operators will be more incentivised to grow the market, and connections such as London-Scotland will prosper with the right contractual framework.

This greater local control would also be offset with the important role for an independent arms-length body (ALB), which would take responsibility for the railway's whole-system long-term strategy. An ALB would have duties to ensure the network is cohesive and serves the interest of the national rail network, not just local areas. Through the ALB's approach in joining up railway strategy – a one nation approach - there could be a much-improved national effort to tackling joint industry endeavours and HM Government policy of a stronger Union.

## **Retail & Ticketing**

Presently, customers face a fragmented retailing experience driven by complex systems, inflexible products that do not meet their needs, and inconsistency across the railway network. RDG's retail strategy aims is to make rail a simple, straightforward and tailored experience that customers want. This will involve removing expensive legacy systems and products (e.g. magnetic stripe tickets) and increasing the use of modern solutions that caters to all demographics and improves connectivity and consistency across the nations and regions.

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<sup>8</sup> Ibid.

<sup>9</sup> [Changing Track: Proposals for a more customer-focussed, joined-up and accountable railway](#), Rail Delivery Group, April 2019



Customers will be confident they have the right ticket for the right price and will receive personalised updates to inform their travel decisions through a digital first approach, allowing for seamless movement around the entire British rail network. Cross-border journeys and multimodal trips will also be simplified and encourage greater rail use.

## **Modal Shift**

The transport sector is now the largest polluter in the UK economy. Rail however, accounts for 11% of all journeys and just 2% of the UK's domestic transport emissions<sup>10</sup>. With the UK Government now legally committed to reducing carbon emissions to net-zero levels by 2050, driving modal shift from road and air to less carbon-intensive modes like the railway will be essential.

In the context of Covid-19, research conducted by the RDG has indicated that the long-distance and leisure markets are most likely to revive quickest<sup>11</sup>.

Operators who have extensive experience in yield management via price signalling can better encourage people to travel by rail between the nations with the support of two key reforms: a less complex and restrictive fares system that is complemented with a transport taxation and charging regime, which incentivises passengers to choose more environmentally-friendly modes that will support growth in these markets.

We welcome the Government's support of the modal shift from road to rail in the freight sector in the form of the Mode Shift Revenue Support (MSRS) scheme. In a price sensitive freight and logistics sector, MSRS plays a critical role by encouraging freight customers to use rail to transport goods, thereby enabling significant environmental benefits. In future years, increasing the size and scope of the MSRS budget should be considered to further reduce carbon emissions in the freight sector and decongest the road network, making rail freight an attractive logistics choice for businesses in every nation of the Union.

Beyond the rail network, it is critical that the rail industry has a close working relationship with local authorities and sub-national transport bodies so that transport planning and policy is holistic. The focus must be on a customer's end-to-end journey rather than treating each leg individually, and rail stations have an important role as transport interchanges that enable passengers to make their onward journey.

## **Conclusion**

Rail, across the UK, is essential in building a stronger, more connected Union and doing so in a way that contributes to the Government's net-zero targets.

While existing projects such as HS2 and NPR, as well as Welsh and Scottish connectivity plans, will deliver important transport investment to the communities they serve, interoperability, fares reform and digital ticketing are also essential improvements which can provide significant benefits to rail customers, for only a fraction of the cost of major infrastructure projects.

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<sup>10</sup> [Decarbonising Transport: Setting the Challenge](#), Department for Transport, March 2020

<sup>11</sup> [General Public Tracker results, Rail Delivery Group, 2020](#)



Putting in place a less complex and restrictive fares system post-Covid will be vital in encouraging people back to the railway, supporting the economy while reducing emissions within the constraints of existing infrastructure and capacity.

Finally, as the UK looks to improve connectivity throughout every country in the Union, modal shift from road and air to the railways will be an essential route to achieving the Government's core objectives.

## APPENDIX - Union Connectivity and Revenue Journeys

N.B.: Figures in the data reflect financial years. (2020 data to March)

