



Transport Scotland

Rail 2014 – Public Consultation

Written Response by Scottish Chambers of Commerce

Introduction

Scottish Chambers of Commerce (SCC) is Scotland's largest business representative organisation, with one hundred and seventy staff in the offices of its twenty one constituent member Chambers, representing over 10,000 businesses employing over half of Scotland's private sector workforce.

Scottish Chambers of Commerce welcomes the opportunity to contribute towards the Rail 2014 consultation. Scotland's rail network is of key importance to business and our economy. Its infrastructure creates accessibility to a large part of the country, it connects Scotland both internally and externally, it facilitates access to employment and training opportunities and it services Scotland's vital leisure and tourism market. A connected economy is a successful economy and the more effective our rail network, the more opportunity we have to succeed. Scotland needs a modern, efficient, reliable and affordable rail network which meets the needs of the whole country and facilitates the economic development of all regions. As a result, this review requires to be more closely and explicitly linked with both the Government Economic Strategy and the Infrastructure Investment Plan.

Rail 2014 gives Transport Scotland and the Scottish Government an opportunity to demonstrate strategic ambition for our rail network and to set the industry on a path towards the kind of network and services that will make a statement about Scotland both domestically and internationally. It can also afford the chance to provide a framework to give Scotland's people a positive reason to choose public transport as a travel option.

All services and infrastructure need to be examined and subjected to proper scrutiny in order to develop a rail infrastructure and service that truly serves the whole of Scotland. There needs to be recognition that the Scottish rail network is essentially unfit for purpose north of Perth at present. The renewal of the ScotRail franchise affords the opportunity to give the franchisee a greater degree of freedom to respond to customer demand and to deliver a more customer focused Scottish rail network. It is also important to recognise that the ScotRail network is not the only user of the Scottish rail network and the needs of other rail users must be balanced with this. These include the

growing rail freight industry alongside cross-border passenger services, such as the East Coast Main Line, West Coast Main Line and First Transpennine Express services. Indeed it is important to recognise that for much of the south of Scotland, day to day rail usage is provided by these services rather than the ScotRail franchise.

Questions

In responding to this consultation, SCC have chosen to group together a number of the consultation questions for answer.

- 1. What are the merits of offering the ScotRail franchise as a dual focus franchise and what services should be covered by the economic rail element, and what by the social rail element?**
- 2. What should be the length of the contract for future franchises, and what factors lead you to this view?**
- 3. What risk support mechanism should be reflected within the franchise?**
- 4. What, if any, profit share mechanism should apply within the franchise?**
- 5. Under what terms should third parties be involved in the operation of passenger rail services?**
- 6. What is the best way to structure and incentivise the achievement of outcome measures whilst ensuring value for money?**
- 7. What level of performance bond and/or parent company guarantees are appropriate?**
- 8. What sanctions should be used to ensure the franchisee fulfils its franchise commitments?**

SCC Response:

SCC believe that the ScotRail franchise should be retained as a single franchise. Any splitting of the network would damage the flexibility offered by the current single franchise and could result in difficulties in repositioning both rolling stock and staff as required throughout the country. We have seen over the winters of 2010, 2011 and 2012 that a substantial degree of flexibility is required in order to maintain a reliable service for rail customers against a background of significant damage to rolling stock and track infrastructure.

We believe that the ScotRail franchise must be a long franchise of a minimum of 12 years in order to allow the franchisee the scope to invest and to see a return on that investment. Innovation must be promoted in Scotland's rail network. That must involve giving the franchisee the incentive to proactively invest in new ways to meet customer needs and to attract more people onto rail transport. In particular, the Scottish Chamber network believes that there is an urgent need to invest in improved rolling stock on a number of routes, particularly those connecting the Highlands, the North East and the Central Belt of Scotland. We see a long franchise as a necessary measure to ensure that this kind of investment can be prioritised.

The issue of the value for money provided by the operation of rail services in Scotland is an important one. The McNulty Report, *Realising the Potential of GB Rail*, underlines the present high cost of the rail network throughout England, Scotland and Wales in comparison to other European countries and sets out a plan towards reducing costs per

passenger kilometre by 30% by 2018/19. Scotland must be mindful of the potential that this process has for ensuring a high performing, good value rail service north of the border, particularly as the per passenger cost of our rail network is significantly higher than that in England and Wales. Despite the challenges that exist in our network in terms of geography and population distribution, significant cost reduction must be achievable. That said, we cannot afford to deliver Scotland's railways on the cheap and savings cannot be restricted to the franchise alone. Government should look for efficiencies across its own departments and agencies too, including Transport Scotland. The priority should be the delivery of a rail network that works for the customer and for the economy.

There are some initial attractions to the prospect of third parties potentially offering services alongside the established franchise where these provide additionality. If this was to be taken forward, there must be careful provision to ensure that this enhances rather than conflicts with the activities of the franchise holder. As has already been mentioned, for many rail customers in the south of Scotland the main service provider is not currently the ScotRail franchisee and ways must be found to improve the services available to these customers too.

- 9. Under the franchise, should we incentivise good performance or only penalise poor performance?**
- 10. Should the performance regime be aligned with actual routes or service groups, or should there be one system for the whole of Scotland?**
- 11. How can we make the performance regime more aligned with passenger issues?**
- 12. What should the balance be between journey times and performance?**
- 13. Is a Service Quality Incentive Regime required? And if so should it cover all aspects of stations and service delivery, or just those being managed through the franchise?**
- 14. What other mechanisms could be used for assessing train and station quality?**

SCC Response:

The Scottish Government, Transport Scotland and the franchise holder have a responsibility to ensure that Scotland has an effective, reliable and efficient rail network. Where performance standards are set, these must be met and failure to attain these standards should be penalised where that failure is attributable to the franchisee. Incentives should be available for exceeding minimum standards of performance, not for merely meeting them.

Journey times and reliability should not be mutually exclusive objectives. Indeed better performance in both will create a virtuous circle and is essential to achieving a smooth running rail network.

SCC believes that there should be a single performance regime for the whole of Scotland. Fragmenting the measurement of success will not help to drive up standards across the whole country. Where the Service Quality Regime has had success, then this must be built upon.

15. Can better use be made of existing train capacity, such as increasing the permitted standing time beyond the limit of 10 minutes or increasing the capacity limit? What is an acceptable limit for standing times on rail services?
16. Should the number of services making use of interchange stations (both rail to rail and rail to other modes) be increased to reduce the number of direct services? What would be the opportunities and challenges of this?
17. Should Government direct aspects of service provision such as frequency and journey time, or would these be better determined by the franchisee based on customer demand?
18. What level of contract specification should we use the for the next ScotRail franchise?
19. How should the contract incentivise the franchisee to be innovative in the provision of services?

SCC Response:

The Scottish Chamber network believes that higher standards for the provision of services to rail customers are required where there are no current performance standards. These include the provision of catering facilities on longer distance services and minimum service standards for business class customers where such facilities are provided. Business travellers are frustrated that catering provision and business class seating are inconsistently provided at present. Services frequently used by tourists must provide better luggage and cycle storage space in order to facilitate the transport of tourist customers around Scotland.

For our network, there are a number of areas of performance where standards must be maintained or improved. On shorter commuter routes reliability is the key issue, whereas on the longer distance inter-city routes linking Inverness, Aberdeen, Edinburgh and Glasgow, journey times are of equal concern. For Aberdeen, Inverness and Dumfries, services allowing customers to access Edinburgh and Glasgow in time for a 9am meeting are a priority.

It is important that the franchisee has a greater degree of flexibility in planning and providing services as this could deliver substantial savings to the taxpayer. This will also allow for the better tailoring of services to the needs of the customer. The franchisee, as the principal provider of rail services in Scotland, is best placed to devise a timetable that meets customer demand and minimises the number of lightly loaded services operating, which deliver poor value for money and are an environmentally inefficient way of transporting people around the country. This should also be used as an opportunity to create greater flexibility in order to provide longer trains on busy services, reducing overcrowding.

20. What should be the rationale for, and purpose of, our fares policy?
21. What fares should be regulated by government and what should be set on a commercial basis? Do your recommendations change by geographic area (the Strathclyde area example), or by type of journey (for example suburban or intercity)?

- 22. How should we achieve a balance between the taxpayer subsidy and passenger revenue contributions in funding the Scottish rail network? At what rate should fares be increased, and how feasible would it be to apply higher increases to Sections of the network which have recently been enhanced?**
- 23. What should the difference be between peak and off-peak fares? Will this help encourage people to switch to travelling in the off-peak?**

SCC Response:

Fares must be set at a level which makes rail travel an attractive transport option and rail customers must be able to correlate any increase in fares with a commensurate improvement in service. At present there is a widespread feeling that our railways are expensive and that service levels are low, even though fares represent only around a quarter of the revenue necessary to operate the ScotRail network. It is clear that if the rail network is to reduce its financial burden on the taxpayer whilst retaining customers, then the solution is to drive down costs rather than to ramp up prices.

Increasing the differential between peak and off-peak fares will not result in a wholesale change in travel patterns towards a more even breakdown. The fact is that many rail customers travel at peak times as a result of the need to maintain work hours, the need to make a particular meeting at a particular time or to fit around the school, college or university day. Most commuters are unlikely to be able to alter their regular travel plans to off-peak times. If further customers are to be found for off peak trains then it is likely that these may be from the social/leisure market and in order to attract these people, trains and stations require to be more accessible, particularly in terms of parking. Many stations suffer as a result of a lack of availability of parking spaces after 9am, and this is a serious deterrent to off-peak travel. Further consideration has to be given as to parking provision at railway stations in order to address this issue. Yield management is an issue that rail operators have not dealt with as effectively as airline operators. There is scope within the system to incentivise higher rail usage for the day-trip market, particularly during the school holidays.

- 24. How should we determine what rail stations are required and where, including whether a station should be closed?**
- 25. What are the merits or issues that arise from a third party (such as a local authority or local business) being able to propose, promote and fund a station or service?**
- 26. Should only one organisation be responsible for the management and maintenance of stations? If this was the franchisee how should that responsibility be structured in terms of leasing, investment, and issues relating to residual capital value?**
- 27. How can local communities be encouraged to support their local station?**
- 28. What categories of station should be designated and what facilities should be available at each category of station?**

SCC Response:

It is clear that there are some stations in the Scottish rail network that are serving very few customers. For example, we understand that one railway station in the ScotRail

network was used by just 8 passengers in the year 2002/3, rising to 90 passengers in the year 2009/10. It is difficult to reconcile the utility of such a railway station to the travelling public with the substantial resources which require to be deployed to maintain the station. Efforts must be made to increase the usage of such stations, for example through the expansion of park and ride facilities, otherwise their long term futures must be considered. The franchisee must be afforded the opportunity to withdraw from servicing uneconomic stations and other options should be considered for their future. This includes operation and management by third party organisations, within a strict framework to ensure full compatibility with minimum services available across the entire network of stations and complete integration with service timetables. Stations need to serve a demonstrable purpose and market forces together with local support will determine viable stations. The 'Adopt a Station' scheme has proved to be successful and this can be built upon to encourage higher levels of third party investment in station infrastructure and maintenance. This could highlight the value placed on railway stations by local communities and reduce the overall burden on the taxpayer.

- 29. Should cross-border services continue to go north of Edinburgh? In operating alongside ScotRail services, how do cross-border services benefit passengers and taxpayers? And who should specify these services, the Department of Transport or the Scottish Ministers?**
- 30. Or should the cross-border services terminate at Edinburgh Waverley, allowing opportunities for Scottish connections? And if so, what additional benefits would accrue from having an Edinburgh Hub?**

SCC Response:

SCC strongly believes that through running services between London and stations north of Edinburgh must be preserved. These services are essential for both tourism and business connectivity with key English markets. The cities of Inverness, Aberdeen and Dundee, together with their surrounding regions, require and value the direct rail connections with London and cities in the eastern part of England that they currently enjoy. Connectivity is vital for business and the links between, for example, Aberdeen, Inverness, Dundee, Perth, Stirling and Fife with Tyneside, Teesside and Yorkshire are both valued and utilised. The prospect of having to change train at Edinburgh is extremely unwelcome. This is an issue which the business communities in the North and North East of Scotland believed had already been faced down at the time of the UK Government's review of the InterCity Express Programme in 2010 and the welcome decision that new dual electric/diesel units would be purchased in order to serve stations north of Edinburgh. Efforts must be made to ensure that the timetable continues to provide for through services operating on the cross-border routes.

- 31. What alternative strategies or mechanisms could be used to reduce the cost of the provision of rolling stock?**
- 32. What facilities should be present on a train and to what extent should these facilities vary according to the route served?**

SCC Response:

In recent years, the Scottish Government has been successful in driving down the costs of large public contracts through the work of the Scottish Futures Trust (SFT). In determining leasing agreements with the rolling stock leasing companies, the franchisee may benefit from support from the SFT in obtaining the best possible value for money.

There is no doubt that different routes have different service requirements. Ultimately, Scotland needs a dedicated fleet of trains for inter-city routes, complete with business class seating, full Wi-Fi connectivity, catering services and adequate work space throughout the train. That said, the current network and timetable dictate that flexibility is of high value and both trains and staff are routinely shuffled around the country to ensure service reliability. With the long process of the EGIP project likely to create significant rail disruption during its construction, flexibility of rolling stock will be at even more of a premium during that period. Following the completion of EGIP, and bearing in mind the electric/diesel split of the network, the franchisee must look towards one standard of facilities for inter-city journeys (principally Inverness-Aberdeen-Dundee-Edinburgh-Glasgow) and another for provincial travel. This is not to say second class services for the latter, merely that priority for business class services and catering facilities, for example, should go to inter-city services.

As has already been stated, services with high numbers of tourist customers demand specific attention in terms of provision for luggage and cycle storage. This is particularly apposite given the recent significant growth in mountain biking leisure businesses, particularly in the Highlands and the borders. More flexible booking arrangements for the carriage of cycles are also needed.

- 33. How should we prioritise investment for mobile phone provision and / or Wi-Fi type high-bandwidth services?**
- 34. How should we balance the need for additional seating capacity and retain the flexibility of a franchisee to offer first-class services if commercially viable?**
- 35. What issues and evidence should be considered prior to determining whether or not to ban the consumption of alcohol on trains?**
- 36. How can the provision of travel information for passengers be further improved?**

SCC Response:

One of the key attractions of rail over road for many business travellers is the perceived ability to work effectively whilst travelling. In the modern day, this means that business people expect the ability to conduct telephone calls, to access wireless data networks and to have a comfortable and suitable environment in which to work. We recognise that there are significant challenges which require to be overcome in order to achieve this but progress must be made quickly if rail is to become the mode of choice for the business traveller. Equally it must be recognised that tourists coming to Scotland have an expectation of mobile online information gathering and if we deny them this service, we are effectively denying potential business to the tourist industry in Scotland. The huge investment being made in EGIP ought to provide an opportunity to incorporate 3G and 4G mobile telecoms infrastructure alongside the principal Central Belt rail routes. Investment in new rolling stock should also stipulate that it comes equipped with the technology necessary to provide Wi-Fi connectivity to passengers. In the meantime,

there needs to be a requirement on the franchisee to Wi-Fi enable the existing fleet, prioritising the key business city to city routes.

The creation of a suitable working environment goes beyond wireless technology and of equal importance is the travelling environment. Business people require power sockets and adequate desk space if they are to undertake productive work whilst travelling and this is required throughout the train, not merely in business class. The new Class 380 trains represent a marked improvement from older rolling stock in this regard. The provision of business class seating areas is essential on longer distance services and passengers must be confident that business class areas will be provided on all such services.

The ways and means of providing information to rail customers has increased significantly in recent years and the current franchisee has significantly upgraded its website and introduced a Twitter feed and Apps to give customers even more up to the minute information regarding timetables, connecting services and any disruption. Despite these advances, our members continue to report poor, out of date or non-existent information in the event of disruption and it is clear that more needs to be done. Information must be accurate, accessible and timely. For example, during recent periods of rail travel disruption, available websites and apps have failed to be updated with emergency schedules, giving passengers a mistaken belief that no services were operating, when in fact they were. Many passengers use smartphones and similar technologies to plan journeys and it ought to be possible to push accurate information to them to allow them to make their journeys. Confusion will only drive customers away from public transport and back to their cars.

SCC believes that the provision of alcohol on board trains should be a commercial decision for the franchisee.

- 37. Should we continue to specify sleeper services, or should this be a purely commercial matter for a train operating company?**
- 38. Should the Caledonian Sleeper services be contracted for separately from the main ScotRail franchise? Or should it be an option for within the main ScotRail franchise?**
- 39. We would be interested in your views in the level and type of service that the Caledonian Sleeper Services should provide. Including:**
 - **What is the appeal of the Caledonian Sleeper Service, and if there were more early and late trains would the appeal of the sleeper services change?**
 - **What is the value of sleeper services to Fort William, Inverness and Aberdeen and are these the correct destinations, for example would Oban provide better connectivity?**
 - **What facilities should the sleeper services provide and would you pay more for better facilities?**

SCC Response:

Business travellers in Scotland place a great deal of value on the provision of sleeper services to London, although it is acknowledged that further investment is required in order to bring the accommodation up to a more modern standard. It is noted that both

the Scottish and UK Governments have committed a total sum of £100 million for investment in modernisation of the rolling stock. This is a welcome boost and we believe that this resource should be utilised as soon as possible to improve the amenity of the sleeper service, certainly in advance of the commencement of the next franchise in 2014. Businesses value the sleeper service as it provides one of the few opportunities to arrive in London in time for a 9am start to the working day. This is something which cannot be offered by early morning air services or most other cross-border rail services.

Chambers of Commerce in Fort William, Inverness, Cairngorms and Aberdeen have been particularly keen to maintain and improve the quality of sleeper services serving their communities. The sleeper delivers real connectivity and its attractiveness has increased since the ash cloud scenario of 2010. The sleeper represents a significant transport option, particularly at a time when other cross border travel options, particularly by air, are becoming more limited.

There is a strong case for Oban's inclusion in the sleeper network, given its onward connectivity to the islands. However this must not be at the expense of existing services.

Sleeper services do not sit comfortably with the remainder of the ScotRail network and there is a clear need to separate this out as a distinct franchise opportunity. There is no doubt that this franchise could be developed into a successful and unique service.

40. What environmental key performance indicators should we consider for inclusion in the franchise agreement or the High Level Output Specification?

SCC Response:

The ScotRail network should aim to provide an attractive, low carbon alternative to road transport and planned investment in significant electrification of the network should ensure progress towards this objective. Current information provided by the franchisee aims to present a carbon comparison between rail travel and other modes of transport. This ought to be sufficient data for most purposes.

**Scottish Chambers of Commerce
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