
Decision Session - Executive Leader

6 April 2010

Report of the Director of City Strategy

Intercity East Coast Franchise Consultation – Suggested Response

Summary

1. To advise the Executive Member of the Department for Transport's consultation exercise in relation to the re-franchising of passenger services along the east coast main line. The background, recent history, analysis of future requirements/possibilities for the next franchise as a whole as well as specifically in relation to York are included here with recommendations made in paragraph 20.

Background

2. The InterCity East Coast rail passenger franchise is due to go through a retendering exercise in 2010/11. National Express East Coast operated this franchise until December 2009 although their agreement was not due to run out until 2015. Early termination resulted as trading conditions deteriorated and National Express concluded that premiums to the Treasury could not be honoured. The Department for Transport then took over service delivery through the creation of a subsidiary company and this arrangement, under the East Coast branding, will continue until the re-tendering is completed in the Autumn of 2011.
3. Bidders will be expected to build into their plans Network Rail's substantial programme of infrastructure investment, the introduction of the Super Express trains from 2013 (bringing improved performance and greater capacity and the revamped 'Eureka' timetable to be operational from May 2011). Bidders are also being asked to have regard to station facilities and investment, access to the network, environmental impact and on-board services.
4. Expressions of interest will be sought from potential bidders later in the year with those short-listed being issued Invitation to Tender documents in the autumn.

Recent History

5. InterCity East Coast's franchise history has latterly been an unhappy one. The last two private sector incumbents, Great North Eastern Railway (GNER) and National Express East Coast (NEEC) have both failed. The

reasons for this differed but the essence was that each company over-bid. Arguably, the East Coast franchise is nationally the most prestigious running from London Kings Cross to Leeds, York, Newcastle and Edinburgh. For York, it is a main economic artery underpinning the business and leisure travel markets. The services delivered can influence business investment decisions and colour York's reputation as a place to visit and do business

6. Travellers therefore need to have complete confidence in East Coast services both now and in the future. The line's reputation has been tarnished of late and the new franchise arrangements from Autumn 2011 provide the springboard to restore the confidence and stability needed to encourage long-term economic investment along its route.

The System of the Future

7. There seems to be a growing agreement that the former franchising arrangement for the line needs to be revisited in the light of past experience. However, it should also be noted that the system nationally has delivered 22% more service provision and 60% passenger growth since British Rail days.
8. ATOC (Association of Train Operating Companies) is recommending that franchise reform takes place under 6 headings: -
 - Greater flexibility for operators
 - Longer franchises to give managerial focus and investment confidence
 - Greater emphasis on quality and not just price
 - Greater emphasis on financial stability
 - Options that can give greater responsibility for stations, rolling stock, etc
 - A mix of franchise size.
9. Passenger Focus (a national independent passengers watchdog) undertook last September a survey of 6,000 National Express East Coast passengers asking for their service priorities. Their findings are included here in the table below:-

	Priorities for improvement (1=highest priority and 12=lowest)
Punctuality and reliability of the train	1
Value for money for the price of the ticket	2
Being able to get a seat on the train	3
Length of time the journey was scheduled to take (speed)	4
Facilities and services on board the train	5
Frequency of trains for this journey	6
Provision of information about train times/platforms	7
Personal security while on board the train	8
Personal security at the station	9
Ticket-buying facilities	10
Ease of getting to and from the station	11
Facilities and services at the station	12

Passenger Focus ICEC research, September 2009

10. Even though satisfaction with performance reliability at the time was high, it was the top priority for the passenger, just ahead of value for money for the price of a ticket. Capacity (finding a seat), speed and frequency also feature in passengers' top six.

InterCity East Coast's Next Franchise

11. A number of points would seem to interlock the delivery of the two perspectives for the forthcoming bidding round:-

- Longer franchises would encourage better longer-term management and increase investment.
- Greater stability would come with an increased emphasis on quality of services and not just the amount being offered for the franchise. Coupled with this move away from economic opportunism, there needs to be a more robust and realistic assessment of franchise deliverability at all times during the national economic cycles than will come during the lifetime of an extended franchise time scale. A profit-sharing system should be considered as a variant model, which could provide longer-term stability. The premium to the Treasury could be agreed at a more modest level with the profits generated above that being shared between the franchisee and the government.
- Investment needs to take place in complementary aspects of service provision so that the winning franchisee can confidently expect Network Rail

to deliver on its agreed capital investment improvement programme and build these into its business plan.

- Likewise for the East Coast to become a modern railway, the franchisee needs to be sure that the Super Express trains will actually be delivered from 2013 and build this too into its business plan.
- The fares structure is currently the subject of a comprehensive review. The current system is both complicated and expensive. The latter is especially true of walk-on fares. The results of the review need to be carefully considered when published and, if appropriate, built into the franchise specification.

InterCity East Coast's next Franchise specifically as it relates to York

12. The new franchisee will have the responsibility in York's case for the development of services at the station. A 'conservation' plan is needed which looks at the needs of the historic structure, its future use potential in the context of open public access and the image presented by this principal gateway to the city and beyond. Discussions on the development of such a plan have commenced and these will need to be taken forward by the new franchisee. The city would also be pleased to talk to the new franchisee about visitor information provision in their station Travel Centre.
13. There is an opportunity to develop the station as a sustainable centre for the city's transport network. Seamless transition should be a feature for interlocking rail and bus services as well as cyclists. The opportunity to implement smart ticketing solutions should be investigated. Better pedestrian access should also be explored to the north of the bay platforms and into Leeman Road.
14. Most importantly, the current East Coast operational headquarters in Skeldergate (covering the range of its constituent services) needs to remain in York throughout the currency of the next franchise. Crucially, the expertise and experience for effective operation has been developed here since privatisation and is now centred on modern office premises with easy access to the station.
 - More specifically, York is equi-distant between its capital stations in London and Edinburgh and has easy access to Leeds. This gives the city a distinct advantage from an operational point of view.
 - The railway industry's extensive presence in the city makes recruitment easier as do York's exceptional qualities as a place to live.
 - The headquarters and the central services it embraces (human resources, finance, etc) need to be made 'stand-alone' within the franchise specification. Past experience has demonstrated that, if consolidated within the existing operations of a large parent company, these functions

are exceedingly difficult to unravel when a franchise expires or is terminated.

Consultation

15. At present, only internal officer consultation has taken place regarding the Council's response to the franchise consultation. The Council has a regular dialogue with East Coast involving the Chief Executive and Leader.

Options

16. The options for the Executive Leader to consider are to agree to the proposed response to the franchise consultation or not to do so. It is recommended that the former option is adopted.

Corporate Priorities

17. The east coast main line is an important economic artery for the city and its future franchising arrangements will play a key role in delivering the Thriving City theme.

Implications

18. This report has the following implications:
 - **Financial:** There are no financial implications for the Council.
 - **Human Resources (HR):** There are no HR implications for the Council.
 - **Equalities:** There are no equalities implications for the Council.
 - **Legal:** There are no legal implications for the Council.
 - **Crime and Disorder:** There are no Crime and Disorder implications for the Council.
 - **Information Technology (IT):** There are no IT implications for the Council.
 - **Property:** There are no property implications for the Council.
 - **Other:** Nil

Risk Management

19. In compliance with the Council's risk management strategy, there are no risks associated with this report.

Recommendation

20. That the Executive Member recommends that:-
- i. the views expressed in paragraphs 7 to 14 above be passed to the Department for Transport for its consideration for incorporation within the new franchise bidding process and as the Council's response to the franchise consultation.
 - ii. the Council requests as part of that process, the shortlisted companies should be required to present and discuss their proposals to interested key stakeholders served by the InterCity East Coast network.
 - iii. the views of the passengers expressed in the survey undertaken by Passenger Focus and encapsulated in the table be also built into tender documents to be prepared by the Department for Transport.

Reason: To support the economic objectives set out in the Sustainable Community Strategy and Corporate Strategy.

Contact Details

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Report Approved



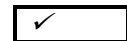
Date 22 March 2010

Specialist Implications Officer(s)

There are no specialist officer implications.

Wards Affected:

All



For further information please contact the author of the report.