

Board

Date: 22 September 2016

Item: Executive Summary – Suburban Rail Services

Decision required	<p>The Board is asked to:</p> <ul style="list-style-type: none">• Note the outcomes of the engagement process on ‘A new approach to rail passenger services in London and the South East’ (the Prospectus) and agree to the publication of detailed analysis once agreed with DfT• Endorse TfL’s proposed approach to operating future devolved rail services through a concession• Endorse the proposed strategic partnership with DfT, should DfT agree to proceed with this proposal.
Sponsoring Director	<p>Name: Gareth Powell Number: 020 3954 8196 Email: GarethPowell@tfl.gov.uk</p>
Summary	
<ul style="list-style-type: none">• The purpose of this paper is to set out TfL’s proposed position on possible further rail devolution in and around London following a period of engagement by Department for Transport (DfT) and TfL with stakeholders earlier in the year on devolution options.• A key milestone is the anticipated formal start later in the autumn to the DfT’s process to re-let the franchise for passenger services in southeast London and Kent. That is the next franchise whose local London services could feasibly be devolved from the DfT to TfL, if the Secretary of State for Transport agrees.• Benefits from the proposal will include higher standards of customer service and satisfaction, more reliable services, integrated fares, increased station staffing and more frequent off peak services.• Responses to the engagement were received from a broad range of stakeholders, and engagement sessions were held with Members of Parliament, local authorities and Local Enterprise Partnerships. The response was substantially positive, subject to assurances being sought on certain issues (paragraph 5.17).• The re-franchising process for southeast London and Kent provides an opportunity for suburban services to be separated from the rest of the franchise and transferred to a TfL concession while benefitting from competitive pressure. This would reduce costs of devolution by removing the need to negotiate with an incumbent franchisee.	

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to set out our proposed delivery approach in respect of further devolution of responsibility for the provision of rail passenger services within London to us and the Mayor.
- 1.2 This follows a period of engagement that we and the Department for Transport (DfT) jointly undertook with stakeholders earlier in the year on devolution options. It is also in advance of the anticipated formal start later in the autumn of the DfT's re-letting of the franchise for services in southeast London and Kent. That is the next franchise which includes local London services that could feasibly be devolved from the DfT to us and the Mayor, subject to Secretary of State for Transport consent.

2 Recommendations

- 2.1 **That the Board notes the paper and:**
- (a) notes the outcome of the engagement process on 'A new approach to rail passenger services in London and the South East' (the Prospectus), and agree to the publication of a more detailed analysis once this has been agreed by the Secretary of State and the Mayor;**
 - (b) endorses our proposed approach to operating future devolved rail services through concession contracts, similar to the approach used today for London Overground, TfL Rail (future Elizabeth line) and Docklands Light Railway; and**
 - (c) endorses the proposed partnership with the DfT to provide a strategic approach to rail services across London and southeast England, should the Secretary of State agree to proceed with this proposal.**

3 Background

- 3.1 In his manifesto the Mayor said that he would push for TfL to take over the responsibility for more commuter routes. On 20 July and 11 August he wrote to the Secretary of State calling for the Southern franchise to be handed over to TfL management to stabilise the situation, in light of the performance problems that this franchise has been experiencing.

- 3.2 The Secretary of State subsequently announced a package of measures, supported by £20m of funding, intended to support performance improvements on Southern, and did not take up the Mayor's offer. Nonetheless in the longer term there remains the opportunity for us to have responsibility for more suburban rail services in London.
- 3.3 We are already responsible for a number of devolved suburban rail services, currently branded London Overground or TfL Rail. London Overground provides orbital links around inner London as well as the 'stopping' suburban services to/from Euston and one group of suburban services to/from Liverpool Street (known as 'West Anglia'). TfL Rail provides the other group of suburban services to/from Liverpool Street, on the line to Shenfield. In 2018 we will also take over responsibility for suburban services from Paddington which will be amalgamated with TfL Rail and the new Crossrail tunnels across central London to form the Elizabeth line.
- 3.4 Currently 228 million journeys a year are made on our devolved rail services. Once the Elizabeth line opens fully this will rise to 411 million journeys, or 57 per cent of journeys on 'stopping' suburban rail services in London. The majority of these services are north of the river. London Underground also has limited coverage south of the river for historical reasons. Consequently large parts of south London are reliant on rail services operated by franchised train operating companies, appointed by the DfT, over which we and the Mayor have no control.
- 3.5 On devolved services under the current arrangements we are responsible for running the relevant services, usually by letting a concession to a train operating company, to a specification we develop. The power to devolve rail services is vested by the Railways Act 2005 in the Secretary of State. Most of the infrastructure on which devolved services run continues to be owned, maintained and operated by Network Rail.
- 3.6 Three existing DfT passenger franchises that provide a significant number of services within London will expire in the next five years, and the DfT has set out a programme for appointing new operators. These franchises are currently operated by South West Trains, Southeastern and Govia Thameslink Railway. These franchises do also include longer distance services to/from destinations distant from the Capital.
- 3.7 The end of an existing franchise is an opportunity for rail services to be devolved. The transfer of services can either be timed to take place simultaneously with an existing franchise ending, or can take place at some point subsequently, provided it is written into the new DfT franchise from the outset. Implementing devolution during the life of an existing franchise where no provision has specifically been made would be more difficult and such a change is unlikely to offer value for money from an incumbent without competitive tension.

4 The benefits of devolution

- 4.1 The evidence shows clear and measurable benefits for customers on services that have already been devolved to us, and we believe similar benefits could be achieved for other services should they transfer in future.

The original London Overground (since 2007)

- 4.2 When we took over the former Silverlink franchise in 2007, which formed the first phase of the London Overground, it was one of the worst performing railways of its type in the country in terms of delayed trains, passenger satisfaction and ticketless travel. By 2010/11 there had been big improvements in all three of these measures, as well as a significant increase in journeys as the improved service became more popular. Detailed figures are provided in Table 1.

Performance measure	2006/07 ¹	2010/11 ²	Change
Overall customer satisfaction ³	73%	87%	14 point increase
Delayed trains ⁴	8.8%	5.1%	42% reduction
Fare evasion	12.6%	1.8%	86% reduction
Passenger journeys	25m	41m	65% increase

Table 1: performance improvements on London Overground between 2006/07 (the last full reporting year under the previous operator) and 2010/11

- 4.3 The turnaround was remarkable as it was during a period of extensive and disruptive infrastructure works being conducted by us and Network Rail. After 2010/11 the benefits of those improvements began to be felt, building on the early gains, leading to further rapid growth in journeys – the network is now used by six times as many customers as in 2007 on a like-for-like basis, with 155 million journeys in 2015/16.
- 4.4 The package of infrastructure improvements included an upgrade of track and signalling infrastructure, as well as platform extensions, which together allowed brand new, longer trains to be introduced and service frequencies to be significantly enhanced. All stations were thoroughly refurbished. We opened the newly extended East London line as part of the Overground, and subsequently extended it further to Clapham Junction.
- 4.5 These improvements happened because being responsible for passenger services put us in a very strong position to both work with Network Rail to prioritise infrastructure improvements on these routes, and secure funding from a range of sources to put together a comprehensive package.

West Anglia services (since 2015)

- 4.6 Services between Liverpool Street and Chingford, Cheshunt and Enfield Town ('West Anglia') became our responsibility in May 2015. Comparing the last four reporting periods under the previous operator with the same periods one year later, we have delivered significant reductions in delayed trains and ticketless

¹ 2006/07 was the last full railway reporting year before TfL took over these services in November 2007.

² The end of 2010/11 was around three and a half years after TfL took over these services, and before the benefits of the major infrastructure investment began to be felt by customers.

³ As measured by the Transport Focus National Rail Passenger Survey.

⁴ The percentage of trains that arrived at their final destination more than five minutes after the scheduled time. These figures are calculated from the rail industry standard Public Performance Measure.

travel, and significant increases in passenger satisfaction with many elements of the service. Passenger journeys have grown strongly. Detailed figures are provided in Table 2.

Performance measure	P12 2014/15 – P2 2015/16	P12 2015/16 – P2 2016/17	Change
Overall customer satisfaction ⁵	74%	77%	3 point increase
Selected specific measures:			
- Satisfaction with station staff availability	40%	83%	43 point increase
- Satisfaction with station cleanliness	49%	81%	32 point increase
- Satisfaction with information about train times	63%	78%	15 point increase
Delayed trains ⁶	4.8%	4.0%	15% reduction
Fare evasion ⁷	14.5%	2.1%	86% reduction
Passenger journeys ⁸	9m	11m	27% increase

Table 2: performance improvements on West Anglia services between the last four periods under the previous operator and the same periods one year later

4.7 The improvements on West Anglia have been delivered using the same infrastructure and trains inherited from the previous operator. Improvements for customers have been down to our incentive model for the train operator – which is based on on time trains and customer satisfaction, rather than financial performance. The operator is required to work in close partnership with rolling stock maintainers, Network Rail and us, to ensure a collective focus on customer service. Under this regime there have been: additional staff and training; refurbishment of stations and trains; improved regular station and train cleaning and maintenance; enhanced, integrated real-time information; additional ticket gates; measures to eliminate the causes of delays; and faster response to infrastructure failures to minimise their impact. New rolling stock is under construction and will start to be introduced in 2018.

4.8 When our rail services are measured against other comparable UK train companies, the rate of improvement has been well above the norm. Figure 2 shows that the proportion of trains arriving on time has risen markedly in the last

⁵ As measured by the Transport Focus National Rail Passenger Survey, comparing spring 2015 to spring 2016.

⁶ The percentage of trains that arrived at their final destination more than five minutes after the scheduled time. These figures are calculated from the rail industry standard Public Performance Measure.

⁷ Data from before the transfer to TfL is from a one-off survey conducted in January 2015. TfL has now implemented quarterly ticketless travel monitoring; the figure from after TfL took over is the average of Q4 2015/16 and Q1 2016/17.

⁸ Passenger journey figures are for the periods specified only. For comparison, the total journeys recorded in 2015/16 were 33m. Journey figures are measured by the ticketing system: the strong growth seen is due partly to the reduction in ticketless travel, partly to actual growth in demand, and partly to improvements in reporting methodology. Background passenger demand growth across all train operators in London and the South East is currently running at around 5 per cent year on year.

year on all three devolved services, whereas several similar train operators saw significant declines.

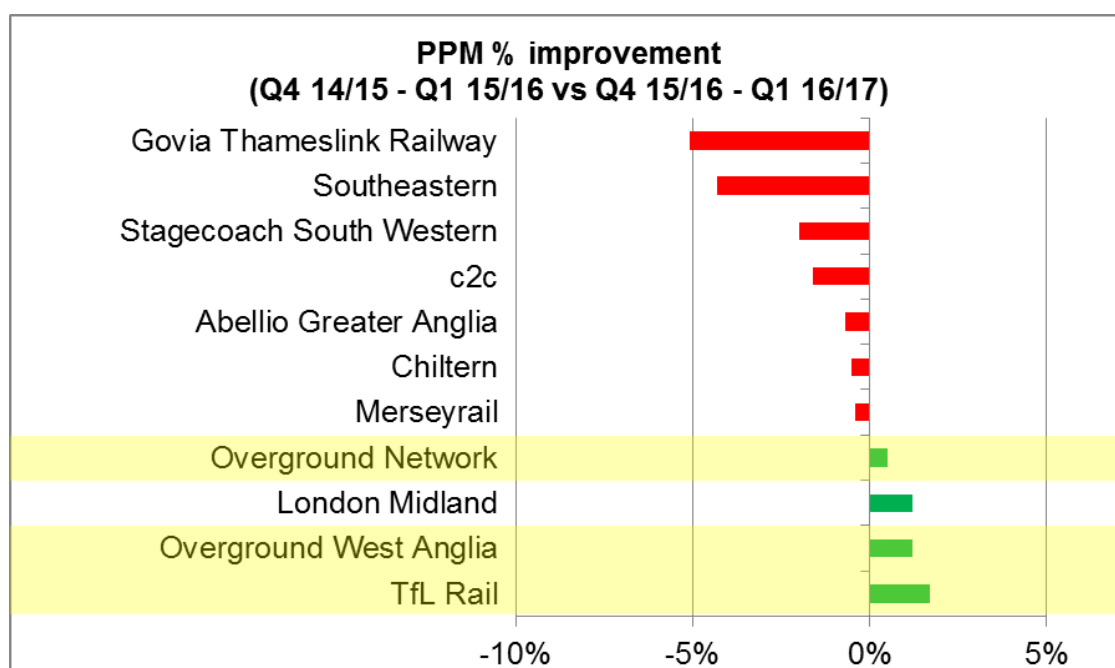


Figure 1: change in Public Performance Measure (the percentage of trains arriving at their final destination within five minutes of the scheduled time) on comparable train operators over one year

Future devolved services

- 4.9 Similar benefits could be achieved on other rail services in London. More detail about the improvements we would make on future devolved services is provided in Appendix 1. As well as short term improvements, this also includes in the longer term more fundamental enhancements that would enable these routes to function more like London Underground, with consistent routes and stopping patterns, much higher frequencies and reduced journey times. The additional capacity provided would enable large areas of brownfield land to be opened up for housing development that would not otherwise be viable, enabling the building of many thousands of homes.

5 Proposals

Concession model

- 5.1 If the Secretary of State agrees to devolve further suburban services to us, the options available to us for managing them are to:
- (a) operate the relevant service groups on a basis similar to the current DfT franchises (not recommended, for the reasons below); or
 - (b) operate on a concession basis, the approach currently used for London Overground, TfL Rail and Docklands Light Railway (recommended).

5.2 Under the concession model we pay the operator a set fee for delivering the specified level of service. A performance regime enables the operator to earn bonuses for performance above a particular benchmark, while deductions are charged when performance falls short. Fares income is retained by us, rather than the system mostly used by the DfT under which it is retained by the operator. The risk that passenger demand might rise or fall as a result of economic factors such as employment levels is, therefore, also retained by us. As part of the GLA family and with our capital reserves and diverse sources of income, we are better placed than an individual train company to manage these risks across the whole of London's public transport network and plan services accordingly; we are also able to invest in services for the long term to support London's wider growth and development, including housing growth.

5.3 Specifically the concession model enables us to:

- (a) deploy people with the skills, knowledge and experience to deliver efficiently and effectively; and bring the necessary level of focus in overseeing the train operator to ensure excellent service delivery on complex urban railways;
- (b) provide very clear incentives for operators to deliver the best possible reliability and customer service. In particular, requiring a minimum level of performance on all services and at all stations avoids pockets of poor performance being hidden, which can be the case when performance measures target broad averages;
- (c) use the revenue from the extra passenger journeys that the improvements have encouraged to put back into further service enhancements; and
- (d) achieve a greater degree of integration between different public transport services, focused on a specific type of customer journey demand and local development.

Geographic scope

5.4 In general the services that would be suitable for transfer to us would be 'stopping' suburban services that terminate inside (or sometimes just beyond) the London boundary – as they principally serve passengers making local journeys in Greater London.

5.5 Specifically, we have identified the following groups of suburban services that would be suitable for transfer to us. All of these services are part of current DfT-managed franchises that will end between 2017 and 2021:

- (a) to/from Charing Cross, Cannon Street and Victoria serving southeast London (current franchise ends in June 2018);
- (b) to/from London Bridge and Victoria serving south central London (current franchise ends in September 2021);
- (c) to/from Waterloo serving southwest London (current franchise ends in June 2017); and

(d) to/from Moorgate serving north central London (current franchise ends September 2021).

- 5.6 Most of the London terminals served by these 'inner' services also host longer distance 'outer' services to/from destinations distant from London, with limited stops inside Greater London. Those outer services would remain the responsibility of the DfT. We are clear that there would be no prospect of the users of outer services being disadvantaged by the devolution proposals for inner services. We have developed with Kent County Council a series of safeguards to ensure this. Kent, Surrey and Hertfordshire County Councils – the local authorities adjacent to the areas of London in which the services identified in paragraph 5.5 operate – have all made clear in writing their support for the devolution proposals.

Timescales

- 5.7 When services were devolved previously the process took a minimum of two years. Typically a joint project board involving us, the DfT and the incumbent operator would be set up, supported by a project manager for each organisation and a series of working groups on specific issues. Issues would include defining the precise boundaries of the transfer and agreeing the split of resources, staff and liabilities between the new TfL-appointed suburban operator and the DfT longer distance operator. In parallel, both we and the DfT would need to undertake procurement exercises for their respective new train operating companies, so that they were in place to take over services from the incumbent when the existing franchise ended.
- 5.8 We have thoroughly prepared the technical ground to enable this process to begin. The next step would be written agreement in principle from the Secretary of State signalling his intention to devolve further rail services, consequently enabling the DfT to engage with us on the detailed planning and mobilisation. Without this instruction, the DfT will continue to deliver the previously published refranchising programme, which does not include devolution to us.
- 5.9 Of the services identified in paragraph 5.5, a written agreement in principle for devolution of the relevant services in southeast London is needed soon. There is some limited flexibility as the Secretary of State has an option to extend the end date of the current franchise to January 2019 at the latest. The DfT is expected to begin its re-franchising process in the autumn.
- 5.10 For services to/from Waterloo, the 2017 refranchising date will not allow sufficient lead time for a transfer to be planned and implemented. A date around 2020 would be more achievable, but as noted in paragraph 3.7 provision for the relevant services to transfer ideally needs to be included within the new DfT franchise that starts in 2017.

The Prospectus

- 5.11 In January 2016 we published jointly with the DfT a Prospectus for devolution of further rail services which, if implemented, would enable the benefits described above to be achieved.

5.12 The Prospectus set out proposals for a shared approach to rail services across London and southeast England. They would meet the current Mayor's manifesto commitment, deliver significant benefits to Londoners, and protect the interests of customers using longer distance services.

5.13 The Prospectus identified three shared principles for success:

- (a) **more frequent services, better interchanges and increased capacity** – including recognising the different needs of the shared users of the railway, for example the need to improve fast longer distance services to support commuting and regional growth and the need for frequent stopping services to provide a 'metro style' local service within London;
- (b) **greater reliability for all passengers** – essential where different rail services are sharing infrastructure. Services should be planned and specified to ensure an increase in performance and customer outcomes for all; and
- (c) **high standards of customer service** – which should be common to all services, regardless of whether they are specified by us or the DfT. This includes, where possible, integrated fares and information, plus an improved travel environment, better accessibility and staff available to help.

5.14 The Prospectus included proposals for a range of suburban rail services to transfer to us, with transfers taking places in phases through to the early 2020s, linked to the DfT's published refranchising timetable for the existing franchises. In particular it referred to 'the transfer of South Eastern inner suburban services when the current franchise ends'. The services identified were broadly those listed in paragraph 5.5 above.

5.15 The document also proposed the establishment of a new strategic passenger rail partnership between us and the DfT with a remit to consider services across London and southeast England. The partnership would:

- (a) provide joined up strategic direction for the specification and management of passenger rail franchises. This could include exploring options for: significant improvements in train frequencies; ways to ensure high standards of reliability; ensuring consistently high-quality standards of customer care; and developing a more closely integrated fares structure;
- (b) establish new mechanisms for local authorities, Local Enterprise Partnerships and other local bodies to have a direct input into how passenger services are improved, and to help leverage local investment to drive growth; and
- (c) work closely with train operators, Network Rail and the supply chain.

5.16 To ensure clear lines of accountability, train operators would continue to be appointed by either the DfT or us individually, with the contracts conforming to principles established by the partnership.

Feedback

5.17 The Prospectus included a number of questions for stakeholders and a period of eight weeks was provided for feedback, ending on 18 March. During that period

we held jointly with the DfT two information/question and answer sessions – one for Members of Parliament and another for local authorities and Local Enterprise Partnerships. Both were well attended.

- 5.18 Almost 200 written responses were received from a range of stakeholders. Of those, 74 per cent were positive in principle, with some seeking assurances with respect to particular issues. Eight per cent expressed significant reservations, with the remainder not offering an opinion.
- 5.19 The top three assurances sought were:
- (a) sound governance arrangements must be put in place. These should represent the needs of London versus the rest of the South East region fairly (democratically); provide a formal role for local authorities, Local Enterprise Partnerships and passengers, in order to influence contract specifications; ensure no ambiguity about who is responsible for what; and provide for a transparent decision-making process for showing how limited resources are prioritised / conflict will be resolved;
 - (b) no detrimental effects on fares; and
 - (c) no adverse impacts on the frequency, journey times or stopping patterns of longer distance services to and from London (recognising that current frequencies will need to grow in line with demand).
- 5.20 We believe that all of these assurances can be met, and indeed (b) and (c) are covered by the safeguards agreed with Kent County Council.

6 Next steps

- 6.1 Subject to agreement from the Board, we will:
- (a) publish jointly with the DfT a detailed analysis of the findings of the engagement exercise, once this has been agreed by the Secretary of State and the Mayor;
 - (b) continue to engage with the DfT to seek a letter from the Secretary of State within the necessary timescales expressing his intention to devolve suburban rail services in southeast London and, subject to its receipt, work with the DfT on the detailed arrangements for devolution and initiate the procurement of a TfL operating concession; and
 - (c) if invited to do so by the Secretary of State, enter into a partnership with the DfT to provide strategic direction for all passenger rail services in London and the South East, including enhanced mechanisms for local authorities and Local Enterprise Partnerships to input.

7 Legal Implications

- 7.1 Transferring responsibility for contracting and managing passenger services from the DfT to us will require a Statutory Instrument to 'de-designate' the relevant services from being within the franchise regime.

8 Financial Implications

- 8.1 It is assumed that at the point of devolution of services, they will transfer in such a way as to apportion current costs and revenue where they fall, so that there is no change in the DfT's overall level of financial premium or support. We also bear relevant transition costs. Enhancements to services would then be for us to fund, developed as part of our overall business plan. Experience has shown that enhancements have a very good business case. Specific improvements would be considered on a case by case basis for investment decision.
- 8.2 This proposal does not consider any costs and revenues associated with plans to enhance rail network infrastructure to improve capacity more generally within London and the wider South East region. We are well placed to work with local authorities, developers and other bodies to leverage local investment to deliver local enhancements. Major investment is controlled by Government and subject to regulation by the Office of Rail and Road. We will be working with Network Rail and other industry bodies to contribute to priorities for railway Control Period 6 prioritisation, which will be the subject of a future paper to the Board.

List of appendices to this report:

Appendix 1: Proposed enhancements to future devolved services

List of Background Papers:

The Prospectus ('A new approach to rail passenger services in London and the South East: Working in partnership to improve services and support growth')

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Appendix 1 – proposed enhancements to future devolved services

- 1.1 Were we to be given responsibility for more suburban services the initial package of improvements we would look to introduce would replicate those made on previously devolved services, and would include:
 - (a) enhanced station staffing, to provide better assistance and a more secure travel environment to all customers, as well as, in particular, guaranteeing a turn-up-and-go service to customers who need assistance to board the train, rather than them having to book ahead;
 - (b) integration into our fares and ticketing structures, ending the situation where customers pay a different fare depending on which operator's service they travel on;
 - (c) measures to cut delays and improve reliability;
 - (d) full integration into our multi-modal real-time information processes and products, providing accurate, live, joined-up travel advice for customers;
 - (e) additional services to increase train frequencies at times of day when there is spare track capacity (for example in the evenings at on Sundays);
 - (f) measures to improve ticket retailing and reduce fare evasion, including provisions of more and improved ticket machines and the installation of ticket gates at more stations; and
 - (g) station deep cleans and enhancement of station facilities and rolling stock refurbishment delivering improved internal and external appearance.
- 1.2 In the longer term we would seek to further improve the functionality of suburban services, particularly in South London, to make the customer experience more like that on London Underground (LU).
- 1.3 The suburban rail network in south London provides excellent geographical coverage in many areas but frequencies are low compared to both LU and some other suburban routes, journey times are relatively long, services are complex and many trains are heavily crowded at peak times. The concept of "metroisation" that we have developed would introduce more consistent stopping patterns, clearer routes, and new interchanges. It would also implement improvements to track, junctions and signalling to increase capacity. New rolling stock would have better acceleration and braking to reduce journey times, which combined with wider doors and more active dispatch staff would enable reduced station dwell times and increased train frequencies.
- 1.4 To achieve a transformation of this type we would need to work closely with Network Rail and other industry partners. It would also require capacity that is reserved for non-passenger (eg freight) services during the peak period, and which is often not fully utilised, to be transferred to other times of day.

1.5 Improvements of this kind would enable large areas of brownfield land to be opened up for housing development that would not otherwise be viable, enabling the building of many thousands of homes.

1.6 We are well placed to deliver enhancements such as metroisation because we can:

- (a) prioritise resources leading to better alignment of overall multi-modal transport decision-making;
- (b) align planning provision with land-use planning, particularly opportunities for house building;
- (c) see a direct return to the local economies from better railways, and invest in local railways, even though they are not the most commercially remunerative; and
- (d) lever in funding from different sources.