

Written evidence submitted by Transport for the East Midlands and East Midlands Councils (RRB0006)

Rail Reform Draft Legislation 2024 – Call for Evidence

Please accept this brief targeted input to the call for evidence into the draft bill for rail reform.

Introduction:

Transport for the East Midlands (TfEM) is the joint committee which brings the ten Local Transport Authorities in the region together under the auspices of East Midlands Councils (EMC). TfEM has signed a Collaboration Agreement with the Department for Transport (DfT) to provide local input into the management of rail services in the East Midlands¹.

The TfEM submission to the GBR-TT Whole Industry Strategic Plan was offered in February 2022, and the TfEM submission to the Consultation on Legislation to Implement Rail Transformation was offered in August 2022. Since then, TfEM have separately published evidence to support high speed services to the region² and electrification of the Midland Mainline³. Rather than providing a full description of our ambitions for improved rail provision in the East Midlands in this submission, we would instead note that TfEM will publish further evidence to support the need to improve regional rail later in 2024. Ultimately TfEMs interest in rail policy is about what rail can do for the economy and environment for the people, places and trades in the region.

Midlands Connect is the Sub-National Transport Body for the region and we recognise their own submission to this inquiry. Midlands Connect and TfEM have published a shared transport priorities document⁴ which is currently being updated to reflect recent decisions regarding HS2.

TfEM are submitting evidence to this inquiry to reconfirm the priorities for the East Midlands from rail reform. In particular to support the decision for GBR to be headquartered in Derby City, and to reaffirm previous representations on the potential benefits from a future partnership between GBR and TfEM on a 'whole region and whole railway' basis. This would build on the success of the current DfT agreement for EMR services.

Our Understanding of the Draft Bill:

We understand the draft bill to mean.....

- Legislation to create a new 'integrated rail body' (the IRB). Network Rail will become the IRB, and the responsibilities which will come under the IRB in law will be transferred to it, such as the transport secretary's present power to award operating contracts. This means that on day one, the IRB could have some organisational leaning toward Network Rail's current purview of assets, infrastructure, and engineering. Motivating a people culture change within such a large organisation will be one of the challenges. The IRB will instead be called 'Great British Railways', which may help encourage culture change through a new brand identity; but also increased use of new mechanisms, such as whole industry profit and loss models may expedite culture change.
- The IRB's integrated business plan will provide the Office of Rail and Road (ORR) with a tool for monitoring the IRB's activities. It will be an overt expression of the IRB as one of the major strategic decision-making bodies for the railways (alongside retained levers within Government departments), and the publication of the 'IRB plan' will require the IRB to illustrate its activities and provide a level of certainty for industry.
- The new body will have a regional structure and have some mechanisms by which various stakeholders in parts of the country could be involved. Derby will continue to be planned as the future HQ of GBR.
- The words 'franchise' and 'franchising' are re-introduced and are used to describe future passenger operating contracts. It is not clear how the new franchises will resemble the original types - which included commercial risk for operators. This is set against previous expectations for lower risk, fee-based concessionaire contracts. The IRB is to be mandated to prepare an annual report setting out what it has done to increase private sector involvement in the running of railway.
- Many areas are either silent or unclear. For example, there are not many details about who would make decisions about future rolling stock. There is no discussion of a Whole Industry Strategic Plan (WISP). Some ambitions in the original White Paper have even been actively u-turned on, such as the abandonment of plans for a centralised GBR ticket retailer. This latter change was raised at the recent TfEM Board by members as being a particularly disappointing change. The original ambition of a centralised

retailer was still seen as a potential improvement by TfEM and consistent with the original Williams review recommendations.

A summary of our previously stated priorities:

TfEM provided input to the previous consultation stages that have led to this draft Bill for rail reform. These can be summarised as:

- A. *More trains on time* - to meet customers needs.
- B. *Integration of track and train* – to be simpler to engage with, to offer an East Midlands single point of accountability, to have a regional lens for decisions, to offer a guiding mind to specify long term strategic needs.
- C. *A mandate for a growing railway to grow patronage and to improve regional outcomes* – a better integrated understanding of the railways contribution to long term economic growth, mechanisms for ringfenced regional funding for enhancement on shared enhancement objectives, co-agreed year-one regional improvement key success measures.
- D. *A meaningful voice for TfEM with GBR* - a whole region and whole railway collaboration agreement that respects the different regional geographies and their local political governance.

These still appear relevant to the future environment proposed through this draft legislation.

Reflections on the Draft Bill:

- TfEM has a history of being pragmatic and working with the opportunities the Government of the day affords regions to collaborate in order to make rail choices more advantageous for the people and businesses of the East Midlands. TfEM recognise many of the same concerns with the current status quo of rail accountabilities as the major parliamentary parties do; and recognise the same diagnosis and recommendations of the 2018 structures as in the original Williams-Shapps white paper; and now echo the same messaging from current industry leaders - that structural change is needed.

TfEM would work both with this proposed model, or with a model that went further to seek more public ownership. The short termism of the horizons of the current TOC Annual Business Plans, and absence of any integrated focus on regional outcomes are two challenges for improving rail in this region. The proposals of the draft Bill could go towards improving these.

- The aims of integrating the railway whilst also seeking the perceived benefits of contracting leaves a wide range of landing zones for actual future outcomes, opportunities, and risks. Any commercial wedge between bodies causes friction and losses – the challenge is whether the governance levers can be designed to mitigate these losses and add value beyond. To this regard we would recommend that the original findings of the review by Keith Williams are revisited - without more detail it could appear to be an opportunity missed for optimal integration. For example, a return to competitive bidders forecasting future revenue with great uncertainty would miss acting on some of the diagnosis offered within the original Williams review.
- The reaffirmed status of Derby City as the future HQ of the IRB, 'GBR', is welcomed. This choice was the result of a competitive process and will be a great grounding for a future partnership between GBR and the region that hosts its HQ.
- TfEM is one of only three Local Authority partnerships that currently enjoy a DfT collaboration agreement for input into local service management (along with the West Midlands and the Rail North Partnership). We anticipate, as a minimum, a rollover of this agreement to the future GBR organisation. There is also scope for a complementary second tier of partnership at a more local level with the two future country combined authorities in the region (East Midlands and Greater Lincolnshire), along with Local Transport Authorities not of Combined Authority status (Leicestershire, Rutland, Leicester City, North Northamptonshire, West Northamptonshire). This second tier would most optimally work with GBR on land development opportunities, station improvement, and integrated ticketing ambitions. A further complementary tier of regional partnership would be that between GBR and Sub-National Transport Bodies (STBs). GBR must be empowered to understand regional differences and not attempt to enforce a cookie cutter vision of GBR partnerships narrowly based on the initial trailblazer combined authority deals.
- We support the publicised freight growth target of a 75% increase in tonne kilometres by 2050. TfEM Officers met with GBRtt officers to discuss what this could mean for the East Midlands in early 2024. It's clear there is much to work to do to achieve this, and close working with TfEM and Midlands Connect will be key for GBR to deliver this target.

Final comments:

TfEM recognise that the future partnership with GBR will be the mechanism where our objectives will most practicably be furthered. With regard to the draft Bill, we encourage Government to observe the broad consensus of stakeholders and industry to progress reform as quickly as possible – as at worst the promise of the creation of a future IRB represents an excuse for inaction now, kicking the can of regional rail improvement down the road to a future that may never come. We note that many improvement actions could be chosen by Government to be done now to improve rail outcomes for regions without new legislation, and we'd like to work closely to do this whilst this draft Bill is receiving scrutiny and assent.

March 2024

Endnotes

¹ <https://www.gov.uk/government/news/greater-voice-for-rail-passengers-in-new-collaboration-between-government-and-east-midlands-transport-leaders>

² https://eastmidlandscouncils.kinsta.cloud/wp-content/uploads/2023/12/TfEM_v1.pdf

³ <https://eastmidlandscouncils.kinsta.cloud/wp-content/uploads/2023/12/TheFuturesElectric.pdf>

⁴ <https://www.emcouncils.gov.uk/wp-content/uploads/2024/04/TfEM-Shared-Vision-2024.pdf>