

Written evidence – Rail Delivery Group (PTC0048)

About the organisation:

The Rail Delivery Group (RDG) brings together the companies that run Britain's railways, including Network Rail and HS2 Ltd, with the aim of delivering a successful railway that ensures value for money and benefits customers, taxpayers and the wider economy. We give a voice to freight and passenger operators, as well as delivering important national ticketing, information and reservation services for passengers on behalf of member companies. This submission represents the views of independent train operating company owning group members.

Introduction:

Rail Delivery Group welcomes the opportunity to respond to the House of Lords Covid-19 Committee's inquiry on the long-term impact of the pandemic on towns and cities.

The railway is the backbone of our economy, moving goods across towns and cities, connecting people to opportunities and spreading wealth around the country. As we emerge from the pandemic, rail will play a vital role in restoring Britain's economic strength and revitalising our towns and cities.

Encouraging passengers back to the railway is essential for the future viability and sustainability of the whole industry, given the unprecedented recent drop in passenger numbers. This means both reassuring the public that rail remains a safe way to travel and improving the consumer offering to encourage passengers back.

The pandemic has accelerated changes in how people travel and their use of the railway. Trends, such as flexible and remote working are likely to become the norm for many people going forward. The industry must therefore ensure we have a fares and ticketing system which better reflects this 'new normal' and a retail experience that suits the modern customer's expectations.

While the pandemic has been challenging in many ways, it has provided a reset moment. Britain's railways now have the opportunity to deliver a step-change that will improve rail for the passengers and businesses that use and rely on it. The industry is ready to act, to deliver a better and stronger railway, which can support new jobs and opportunities for people today and for generations to come.

How has the pandemic effected passenger numbers on public transport and what is likely to be the long-term effect on demand?

Since rail privatisation in 1994/95, rail passenger usage in the UK saw a sustained period of growth with an average annual increase of 3.5% and demand more than doubling to over 1.7 billion.¹ However, the outbreak of

¹ Official Statistics: Rail factsheet: 2020, gov.uk [website],

Covid-19, and the necessary restrictions on travel to combat its spread, resulted in a collapse of passenger numbers to 4% of pre-pandemic levels by mid-April 2020.²

There are, however, reasons to be optimistic about future demand for public transport. Analysis conducted by the Transport Strategy Centre at Imperial College London predicts rail passenger numbers could recover by 2025, with research forecasting a marked uptake in leisure journeys, which could have increased by 8% by that date.³ In addition, uplifts to the timetable since the reduction in March 2020 have gradually increased service levels to between 80 and 90% across the network compared to pre-pandemic levels and train operators have worked hard to ensure that conditions are as safe as possible. A return over time to pre-virus passenger levels, in leisure markets at least, is achievable.

While we anticipate a relatively rapid return to leisure, the challenge for the industry is in the commuter markets. The pandemic has dramatically accelerated changing working patterns already underway beforehand and there remains uncertainty about the return of commuters to rail. According to a recent Transport Focus survey, 31% of commuters plan to travel to work just two days a week in the future, down from the pre-pandemic average of 3-4 days.⁴

The introduction of national flexi-season tickets represents the first step in addressing these new shifts, but we need to go further to encourage passengers back. For those that inhabit our towns and cities, this means having the flexibility to tailor their fares around work-life balances and being confident they are getting the best value for money. The best way this can be achieved, in urban areas, is through contactless pay-as-you-go networks, with customers spared fares complexity by a trusted tap-in tap-out system with a price cap.

Additionally, Great British Railways (GBR) needs to create the right framework for train operators to further develop local offerings which match these evolving trends. Independent owning groups are well-placed to encourage customers back onto rail. Through their train operators, they are closest to the customers and know their local geographies better than anyone. GBR needs the freedom from government to develop successful public-private partnerships with operators, to provide a fares and ticketing system that is agile, fair, and enables more passengers back onto the railway as more people return to work.

How has the pandemic affected the environmental sustainability of transport?

<https://www.gov.uk/government/statistics/rail-factsheet-2020>

² Official Statistics: Transport use during the coronavirus (COVID-19) pandemic, *Gov.uk* [website], <https://www.gov.uk/government/statistics/transport-use-during-the-coronavirus-covid-19-pandemic>

³ Analysis conducted by researchers from the Transport Strategy Centre at Imperial College London was undertaken independently via Imperial Consultants.

⁴ End of the Monday-Friday commute? Transport watchdog calls for urgent rail fares reform, *Transportfocus.org.uk* [website], <https://www.transportfocus.org.uk/news/end-of-the-monday-friday-commute-transport-watchdog-calls-for-urgent-rail-fares-reform/>

An estimated 133 million rail passenger journeys were made in the quarter following the easing of travel restrictions. Nevertheless, this was still less than 30% of the usage in the same quarter of 2019/20.⁵ By comparison, car usage has returned swiftly to pre-pandemic levels, even exceeding those levels at weekends. Research by Visit Britain shows that while 58% of people intend to travel more or as frequently as before, domestically, 67% say that private car is their preferred transport mode.⁶

As we have journeyed through the route map out of lockdown over the past few months, we have once again seen our roads and cities becoming more and more congested. Consideration should be given to the environmental and economic risks of a failure to get people back on the railway, including poorer air quality and a constrained economic recovery for our towns and cities. Cars are the main contributor to carbon emissions and lethal air pollution, so returning to a car-dominated transport network is simply not an option post-COVID-19 if we are to meet the commitment to net zero carbon emissions.

Large numbers of people want the environmental gains, made during the pandemic, to be entrenched beyond the UK's recovery. Being an inherently low carbon form of transport, rail is perfectly poised to enable this. In 2018, the sector contributed 1.4% of all transport emissions while representing 10% of all passenger kilometres travelled, accounting for just 0.5% of the UK's total CO2 emissions.⁷ The enormously disruptive experience of the pandemic provides us with a unique opportunity to 'build back better' and greener if we can place rail at the heart of the recovery.

Due to the reduction in passenger services, rail freight companies have been able to run longer and heavier services over more direct routes, supporting the movement of goods and materials into our towns and cities. Network Rail data shows that rail freight carries important flows of construction materials in and out of cities each day, supporting some of the country's most strategically important projects. The ability to deliver goods into the centre of towns and cities without the need for more HGVs and vans could deliver even more social and environmental benefits. Deloitte analysis for RDG estimates that rail freight usage takes 2.9 million lorry journeys off the road each year (nearly 8,000 on average each day), reducing emissions, congestion and noise, plus improving air quality.⁸

Upgrading Britain's infrastructure to manage capacity, delivering for both freight and passengers, will be crucial to improving connectivity between our towns and

⁵ Office of Rail and Road: Passenger Rail Usage 2020-21 Q4, *dataportal.orr.gov.uk* [website], <https://dataportal.orr.gov.uk/media/1946/passenger-rail-usage-2020-21-q4.pdf>

⁶ Internal modes of transport, *visitbritain.org*, [website], https://www.visitbritain.org/sites/default/files/vb-corporate/Documents-Library/documents/foresight_176_-_internal_transport_modes.pdf

⁷ Office of Rail and Road: Rail emissions 2019-20, *dataportal.orr.gov.uk* [website], <https://dataportal.orr.gov.uk/media/1843/rail-emissions-2019-20.pdf>

⁸ The role and value of rail freight: a report by Deloitte for RDG, *raildeliverygroup.com* [website], <https://www.raildeliverygroup.com/about-us/publications/12807-2021-04-role-and-value-of-rail-freight-1/file.html>

cities and maximising the environmental benefits of the network. Now is the right time to invest in low-carbon infrastructure such as HS2. Phase One of HS2 will emit less carbon over the next 120 years, including construction, than the road network does in 1 month. One journey on HS2 will emit 17 times less carbon than a domestic flight to Glasgow or Edinburgh, and 7 times less than a car journey.⁹

Many of the technological solutions to rail network decarbonisation are already in existence or being developed, such as battery and hydrogen trains; and electrification remains the only feasible low carbon option for higher speed, long-distance services. Government must seek to utilise this technology more and more where feasible. The introduction of infill electrification and battery alternatives for first mile and last mile journeys at rail depots would mark a positive next step towards a greener, more sustainable, network.

How has the pandemic changed the financial viability of public transport?

Train operators welcomed that rail played an intrinsic role in the Government's strategy to keep the economy moving during the pandemic and that Government implemented emergency contracts to support the industry. Crucially, this allowed the railway to keep customers moving – getting doctors, nurses, and other key workers to where they needed to be. However, like many industries hit by the pandemic, rail faces huge challenges – passenger revenue totalled £1.9 billion in the financial year 2020-21 which equates to just 18.3% of the £10.4 billion generated in 2019-20.¹⁰

A new approach is needed to support the long-term financial sustainability of rail and this should not be seen as incompatible with reducing the financial burden on taxpayers in the shorter term. Harnessing the strengths and capabilities of the private sector will be vital to drive recovery in our towns and cities, so it is positive to see this recognised in proposals set out in the Williams-Shapps 'Plan for Rail'. As an industry, we are working with government to find opportunities to work more efficiently in ways that benefit our passengers.

Under the proposed arrangements in Williams-Shapps's 'Plan for Rail', Great British Railways (GBR) will control timetables, set the majority of fares and specify service quality as part of new 'Passenger Service Contracts.' As we look to the implementation of the white paper it is important that GBR delivers against its aspiration of harnessing the commercial expertise of the private sector and creates the contractual framework that enables operators to respond to customers' needs across all rail markets. In turn this will enable operators to tailor rail's response to the towns and cities they serve, making sure rail supports the recovery of the communities within which they operate.

⁹ Carbon – putting Britain on track to a net zero carbon future, *hs2.org.uk* [website], <https://www.hs2.org.uk/why/carbon/>

¹⁰ Office of Rail and Road: Passenger Rail Usage 2020-21 Q4, *dataportal.orr.gov.uk* [website], <https://dataportal.orr.gov.uk/media/1946/passenger-rail-usage-2020-21-q4.pdf>

Private operators can help deliver a step change in services that will attract passengers back – they’ve done so before, doubling passenger numbers over the last 25 years – and can again. But they will need the space to do so. What is needed is a system of contracts which allows operators to draw on their local market knowledge to offer an improved service, implement new products for customers and provide better value for money. In addition, they could support the creation of effective partnerships with local organisations and GBR’s regions to drive positive local changes. Great British Railways has a clear role to play in creating these conditions, sufficiently incentivising the right behaviours, and creating a fair balance of risk and reward in contracts.

Has the pandemic created/exacerbated any inequalities between and within our towns and cities?

The railway is the backbone of the economy, moving people and goods between and across the cities and towns of Great Britain, spreading wealth and connecting people to opportunities. As we emerge from the pandemic, the rail industry will play a crucial part in enabling both social and economic recovery, helping the government achieve its programmes of building back better and levelling up the regions.

The pandemic and the suppression of traditional working arrangements that came with it have exacerbated existing inequalities across the UK. While many workers in London and the South East were able to work remotely, numerous service industry workers based in the North were forced out of their workplaces and many into unemployment. ONS figures show that for the three months ending September 2020, the highest unemployment rate estimate in the UK was in the North East (6.7%) with 740,000 people in these areas now claiming unemployment benefits¹¹. This has made the long-term task of levelling up England’s towns and cities all the more challenging.

The rail sector and its supply chain contribute significant and enduring benefits to the productive potential of the UK’s economy. Britain’s railways are therefore uniquely placed to help address these inequalities, by providing the initial means for mobilising the workforce and helping to kick start the economy post-covid. The Rail Delivery Group and its operator members have worked with the Department of Work and Pensions on initiatives supporting a route back into the workplace, offering jobseekers a 50% discount on rail fares, with the JobCentre Plus Travel Discount Card. Additionally, new research, conducted on our behalf by WPI Economics, has shown the pivotal role rail can play in boosting business and the economy as we emerge from the pandemic. The report found that people travelling by train for days out and holidays spend on average £107 per trip on shopping, eating out, hotels and other activities, demonstrating that getting people back on-board trains will generate billions in knock-on spending across Britain’s regions.¹² Through alleviating congestion on the road network

¹¹ Labour market in the regions of the UK: November 2020, *ons.gov.uk* [website], <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/november2020>

¹² The value of rail to the green economic recovery from Covid – leisure travel, *wpieconomics.com* [website], <http://wpieconomics.com/publications/value-of-rail-green-recovery-leisure/>

and facilitating the development of economic clusters in our towns and cities rail is estimated to be worth up to £31 billion a year to users of both passenger and freight services.¹³

The pandemic has shone a light on the true value of rail freight in achieving the dual aims of 'levelling up' and building back better. From the outset, the rail industry has worked together with Government to focus on keeping the network operational, enabling stock to be transported to our supermarket shelves and medical supplies to be moved across the country in fighting the virus. Crucially, freight operators have worked together on the timely delivery of biomass – a more environmentally friendly alternative to coal – via rail freight direct to Drax power station in Yorkshire, ensuring millions of homes and businesses in Britain have electricity.¹⁴

Our research shows that 90% of the benefits brought by rail freight will support communities and businesses outside of London and the South East.¹⁵ From supporting the construction sector with transportation of materials for house building, through enabling car manufactures to export their finished vehicles abroad, to collecting our household waste for processing and recycling, rail freight has been shown to generate economic benefits of around £2.45 billion a year to the economy.¹⁶

A renewed focus on rail freight has the potential to unlock further 'levelling-up' of the UK economy, driving more efficient routes to market for businesses across the country. In doing so, potentially lowering the cost of products and services for consumers and industry, as well as supporting the movement of goods and materials into our towns and cities.

What innovations in public transport could help revive our towns and cities?

Embracing the digital revolution in our society will be vital to providing a service that meets the needs of all our customers in the coming decades. Furthermore, innovations will help drive back up passenger numbers and the private sector has a strong track record in this area. Building on the expertise of having delivered passenger growth over the last 20 years, train operators have been commercially driven to identify, develop and grow markets using tools drawing on innovations in mobile phone data analysis, CRM and digital marketing.

¹³ Investment in rail: Oxera quantifies the economic benefits, *oxera.com* [website], <https://www.oxera.com/about-us/media-centre/investment-in-rail-oxera-quantifies-the-economic-benefits/>

¹⁴ Freight keeps Britain's lights on, *networkrail.co.uk* [website], <https://www.networkrail.co.uk/stories/freight-keeps-britains-lights-on/>

¹⁵ Rail freight: Building a stronger, greener future for Britain, *raildeliverygroup.com* [website], <https://www.raildeliverygroup.com/about-us/publications/12827-2021-07-rail-freight-future-for-britain/file.html>

¹⁶ The role and value of rail freight: a report by Deloitte for RDG, *raildeliverygroup.com* [website], <https://www.raildeliverygroup.com/about-us/publications/12807-2021-04-role-and-value-of-rail-freight-1/file.html>

¹⁷ Great British Railways: Williams-Shapps plan for rail, *gov.uk* [website], <https://www.gov.uk/government/publications/great-british-railways-williams-shapps-plan-for-rail>

The pandemic has only accelerated further changes. Across all economic sectors we have seen less cash handling and a move towards digitalisation of the retailing process. In the rail sector, the 'Plan for Rail' rightly calls for a customer-focused retail revolution, acknowledging the need to reduce "the unnecessary cost and complexity of today's paper-based ticket selling process"¹⁷ which both inconveniences passengers and burdens the system with greater costs.

Digital 'QR' barcodes are a good first step that has been introduced by the industry, and we must seize on the momentum of reform proposals set out in the 'Plan for Rail' to change the customer offering for the better. Scanning a digital ticket enables the industry to understand how products are used, meaning better products can be created and the operation of the railway fine-tuned to customer demand. If we have more information about what passengers are trying to do – something which contactless and barcode tickets enable - the whole system can become more readily focused on the customer.

Customers can also be incentivised to help themselves before they encounter operational issues. Technology such as that developed by RDG collaborator Zipabout could link up with digital tickets to offer clear choices and advice to customers, for example about their onward journey, quieter trains or how to avoid delays, in a customer centric way.

How do we ensure that post-pandemic public transport provision is a positive force in towns and cities, helping to attract new economic investment and opportunities?

Bringing decision making closer to home is essential to ensuring that public transport is a positive force for communities – whether on a regional or local level. Early indications from the 'Plan for Rail' white paper suggest that GBR regional divisions will work with local government to give towns, cities and regions more say over local ticketing, services and stations.

Changes such as these would enable political leaders across the country, where the decision has been taken to devolve the relevant powers and responsibility, to have more control over their local and regional transport systems. Doing so has the potential to provide clear benefits to local customers, with investment decisions that consider local economic needs such as increased multi-modal integration and zonal fare schemes.

We are currently awaiting more detail on how GBR will function at central level as well as how those functions will be exercised and balanced across its regional structures, but there will be difficult trade-offs to be managed between local leaders and GBR. If regional bodies are to have more localised objectives to fulfil when designing rail services, these will need to be joined up at a national level, ensuring that local decisions do not undermine revenue specifications outlined in new 'Passenger Service Contracts'. Ensuring that that relationship and those accountabilities are delivered in a way that best serves local communities will be vital.

We must guard against a railway where decisions are made at a distance from the communities and passengers that they serve, or where GBR takes

responsibility for things that are best led by operators at a local level. The Government must harness the entrepreneurial spirit of the private sector in the right way, with operators that understand their local markets and are empowered to make decisions. Without the levers and ability to innovate, the rail industry operators won't be able to attract passengers back in the same numbers, limiting Britain's green recovery potential.

24 August 2021