

## Transport Delivery Committee

<b>Date</b>	9 November 2020
<b>Report title</b>	Rail Business Report
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<b>Report has been considered by</b>	Councillor Roger Lawrence – Lead Member Rail and Metro

### Recommendation(s) for action or decision:

#### The Transport Delivery Committee is recommended to:

- Note the content of the report

#### 1.0 Purpose

To provide an update relating to the performance, operation and delivery of rail services in the West Midlands including on rail operator partnership agreements and West Midlands Rail Executive (WMRE) activity.

#### 2.0 Section A – Background

2.1 Transport for West Midlands (TfWM) and WMRE currently work to influence the management and delivery of rail services and projects.

2.2 This report provides a summary of rail activity in the TfWM and wider WMRE areas between June and October 2020.

### **3.0 Section B – Williams Rail Review**

#### **3.1 Williams Rail Review**

3.2 The long-awaited Williams Review of the structure of the rail industry, which is expected to form the basis of a new government White Paper, has still not been published. However, with all rail franchises now under “Emergency Recovery Measures Agreements” (see below), one of the review’s expected recommendations, that of shifting revenue risk from the operator to the Government and replacing franchises with “Management Contracts”, has effectively taken place, at least for the duration of the COVID19 situation.

3.3 Whatever the outcome for the review, TfWM and WMRE will continue to make the case with government for greater local accountability and control over our local rail network.

### **4.0 Section C – West Midlands Franchise**

3.1 On 20 September the Emergency Measures Agreement (EMA) for West Midlands Trains (WMT) that had been in place since the end of March expired, and was replaced with a new contract known as an Emergency Recovery Measures Agreement (ERMA).

3.2 Like the EMA, the ERMA sees cost and revenue risk remain with the DfT, with WMT receiving a fixed fee that can be supplemented through a performance bonus payable in the event of certain targets being achieved. However, the key difference is that the value of the management fee has been reduced, whilst the value of the performance bonus has increased. This is to incentivise the operator to deliver continually excellent standards of customer care and train service delivery.

3.3 In another subtle change from the EMA, the number of criteria against which the performance bonus is assessed has increased. The new category relates to collaborative behaviours. This is a very positive development, as the industry has not necessarily been known for its partnership working in the past. This is principally because the industry structure created in the 1990s was based on competition. However, now that COVID-19 has caused revenues to collapse, competition has ceased in any meaningful sense. Now WMT and other train companies can increase their margins through collaboration, which should transform the way they work with each other and better the outcomes the industry provides to customers.

3.4 WMT’s ERMA will last until late 2021, at which point will either move to a direct award contract, or revert to the previous Franchise terms. Other train companies’ ERMAs have slightly different terms depending on their particular

circumstances. The general policy direction is to use the ERMA and Direct Award process to stabilise the rail industry so that it will be able to smoothly transition to the new industry structure that the Williams Review or White Paper will create (see Section 3 above). WMRE is working closely with DfT both on the management of WMT during the ERMA, and also on the specification for the Direct Award.

- 3.5 The growth of rail patronage has slowed in October, as the rise in local lockdowns and changing government advice have started suppress demand. Prior to this, patronage had risen to between 35-40%, with some routes starting to experience difficulties in carrying customers in a socially distanced way. However, the drop off in demand has solved some of these issues, as has the introduction of a new timetable on 7<sup>th</sup> September. For example, the timetable change increased the frequency on certain key routes, such as the Cross City Line and the Chase Line to Walsall and Rugeley. Both had experienced capacity challenges prior to September.
- 3.6 Unfortunately, the September timetable was not without its challenges. The planned increase in frequency on the Snow Hill Lines proved to be too ambitious for the number of traincrew available to WMT. This led to an unacceptable number of cancellations and overcrowding on the trains that did operate. The cause of the problem was a backlog of essential training that had built up during COVID. Following intervention by WMRE and DfT, WMT introduced an interim timetable that reduced the number of services to the level that could be robustly resourced. This is a far from ideal solution, but it is better for customers to have a service that can be relied upon, rather than one might look good but only works on paper.

## **5.0 Section D – Rail Programme**

- 5.1 At University, the initial contract Programme has been reviewed and accepted confirming completion ahead of the Commonwealth Games. The enabling works are continuing, with archaeological works now complete and a report being prepared, while the highways works for the power cable diversion are ongoing. The application for additional funding from the WMT performance fund continues for the platform canopies and tactiles. A lessons learnt session has been carried out and the outputs issued. Finally, good progress made on incorporating the medical facility into the baseline station design.
- 5.2 The planning application for Perry Barr has been submitted to Birmingham City Council, whilst feedback has been received from Network Rail on the GRIP 4 Designs. The planning application has prompted a lively debate on social media and the comments received from the public are under review. A meeting has been held with BCC planners to discuss options. Finally, work is ongoing to refine the current estimate to meet the project budget target, alongside

discussions around additional funding. BCC have mobilised their designer for the Bus Interchange works.

- 5.3 On Package 1 (Darlaston and Willenhall), survey works and consultation with the Environment Agency have now given much greater clarity on the contaminated land and mine working risks which will now be incorporated into the design and estimates. At Willenhall, agreement has been made for the acquisition of some required land from AUM Construction. On both stations work is being undertaken to compare costs in line with other station builds to provide assurance the projects provide good value for money. The invitation to tender was also issued to market in October.
- 5.4 The main focus of the Package 2 (Camp Hill Line) work remains the resolution of the timetable proposals. Work has commenced on the short- and medium-term timetable options which will be performance tested and assured by Network Rail by the end of November. Other work continues around constructing new badger setts and signalling design. Procurement planning is underway for the design and build and the FBC has been completed, ready to be submitted once the timetable proposals are agreed with Network Rail.

## **6.0 Section E – West Midlands Grand Rail Collaboration (GRC)**

- 6.1 After several months of coordinating the industry's response to COVID, the GRC is transitioning to a more strategic mindset. In particular, the Board is keen to develop an operator agnostic strategy to rejuvenate patronage once the pandemic has subsided to the point where this would be possible. The ERMA's and their focus on partnership working will be an enabler for this enterprise, as will the realisation that with the revenue base so low, it will be mutually beneficial for operators to pool resources rather than compete with one another.
- 6.2 The relative lack of revenue being taken by train companies also has caused the GRC to focus on ticketing modernisation. A proposal for a regional fare capping trial is being considered by the Board, although this would be subject to approval by the DfT. The system under consideration can work with both the existing fares structure and also a reformed model. Consequently, it is not a barrier to the fares reform work referenced in section 7 below.

## **7.0 Section F – Rail Investment Strategy and West Midlands Stations Alliance**

- 7.1 TfWM/WMRE has continued to actively engage with DfT over the Restoring Your Railway initiative. Malcolm Holmes and WMCA Mayor Andy Street attended a meeting on 6<sup>th</sup> August to discuss the Department for Transport's various Restoring Your Railway funds with the Rail Minister Chris Heaton-Harris and DfT officials. This was followed by an officer level meeting the following Monday. The key messages were:

- DfT want a strategic overview of the various local authority sponsored Restoring Your Railway Ideas Fund bids across the WMRE area

- Previous advice from DfT, that unsuccessful Ideas Fund bids could be resubmitted as soon as any areas of feedback had been addressed, was incorrect. Revised bids will only be considered (alongside other new bids) at the next formal round of Ideas Fund application process
- There is still no clarity on the application process to the RYR “Accelerating Fund” for existing station schemes which are already well-developed

7.2 It is understood that DfT will launch the next round of RYR in November, however there is currently no clarity on the timescales for this.

7.3 WMRE will be undertaking a refresh to the West Midlands Rail Investment Strategy in light of various underlying assumptions changing and recognising the impact of COVID-19. A detailed proposal has been developed by SLC Rail and this was endorsed by WMRE Officers Group. A programme of activities spreading into next year has been identified, which will include engagement partner authorities and other stakeholders. There will be a number of challenges associated with dealing with the considerable uncertainties associated with the long-term impact that COVID-19 will have on rail demand as part of this work. WMRE remains close to industry workstreams assessing the impact of COVID.

7.4 A short overview of a number of schemes referenced within the Rail Investment Strategy is as follows:

- **Cannock** – GRIP1/SOBC report being finalised, 4 options being assessed
- **Solihull** – Stage 3 of study underway (including public consultation)
- **Aldridge** – business case work underway alongside timetabling and rolling stock work. Proposal for GRIP3 study received from Network Rail.
- **Dudley Port Integrated Transport Hub** – Consultants Arcadis undertaking study, stakeholder meetings held, December completion
- **Birmingham International Interchange Hub** – Plans published by UGC, project seeking further development funding
- **Snow Hill Lines Decarbonisation** – Network Rail SOBC proposal awaiting funding approval by DfT. Note Rail Industry’s **Traction Decarbonisation Network Strategy** published in September, with further electrification programme business case due to be published imminently
- **Birmingham Moor Street** – Industry Working Group held. Work on short-term Moor St-New St link improvements suspended.

7.5 Sponsorship of the Midlands Rail Hub (MRH) project has moved from Midlands Connect to DfT with a new governance process in place. Elements of the MRH programme that can be accelerated have been identified and funding allocated

to undertake further design work on Snow Hill Platform 4 restoration. WMRE/TfWM are pressing for the proposed MRH upgrade work at Kings Norton to be accelerated, noting the planned introduction of services on the Camp Hill line.

- 7.6 WMRE work on reforming rail fares continues, with consultants Steer undertaking technical development and analysis work on the four detailed options that have been identified as potential approaches for reforming rail fares. These include two radical options which would introduce distance-based pricing, and two less radical options that build on the current structure.
- 7.7 Informal discussions have been held with a number of interested parties, including DfT and Rail Delivery Group, and our proposals remain strongly aligned with national aspirations to simplify rail fares. The DfT has specifically expressed a desire to accelerate the introduction of tickets appropriate for part-time commuters as part of the post-COVID19 recovery process.
- 7.8 The Stations Alliance is making good progress with its Stations as Places prospectuses. It has nearly concluded the first of its 'partner' prospectuses, with Leamington Spa as the trial location. This is the first time that the Stations as Places approach has been used at a station where West Midlands Trains are not the managers, and the response from the local Chiltern Railways team has been excellent.

## **8.0 Section G – Financial Implications**

- 8.1 There are no direct financial implications as a result of this update report. Although the latest status position covering the Rail Programme, Rail Investment Strategy and Stations Alliance is for noting in this report there are a number of financial risks and challenges against these that will be need to be carefully considered. This will form a key element as part of progressing the further development and/or delivery of these.
- 8.2 Any costs incurred or support provided by TfWM or West Midlands Rail Executive from supporting the activity in relation to the GRC will be met from within agreed funding and resources.

## **9.0 Section H – Legal Implications**

- 9.1 There are no specific legal implications arising from this report.

## **10.0 Section I – Equalities Implications**

- 10.1 There are no equality implications in relation to this update report. Individual schemes and projects need to undergo in-depth equality impact assessments to ensure inclusion and accessibility compliance.

## **11.0 Section J – Geographical Scope**

11.1 This report covers rail services within the WMRE geographical area, which includes the seven authorities which make up WMCA as well as the nine Shire and Unitary authorities which ring the Met area.

## **12.0 Section K – Inclusive Growth Implications**

12.1 As an update report for noting, there are no inclusive growth implications associated with the allocation of resources arising from this report. However, the schemes referenced in the report are likely to have the following implications, in line with the Future Generations and Universal Design inclusive growth tests:

### **12.2 Future Generations:-**

The Midlands Rail Hub will be an important mechanism to ensure that the benefits of HS2 are felt across the region in terms of improvements to local rail services and the opportunities those services create. However, the majority of people in this region do not use heavy rail services as part of work and life. The implications of the transition from lockdown – assuming that we retain the aspirations laid out in WM2041 – are that walking and cycling will be vital in order to achieve a balance between connectivity and good health. Buses are the public transport mode of choice for most people in the region, and will continue to play an important role in the region's future. As such, all investments into heavy rail also need to be made with a view to encouraging people away from car ownership and towards active travel and mass transit. This can be realised in a number of ways, but notably in how stations connect to their localities, and in how train stations and carriages are designed to encourage walking and cycling. This also means that economic improvements that happen ahead of new heavy rail services can still be open to people via public transport.

12.3 On balance, the increased heavy rail capacity that HS2 brings is a positive for tackling climate change (assuming that people and freight move by train instead of by road) – however, anything that involves construction has an impact on the natural environment. The commitment to biodiversity net gain must be upheld, and opportunities to improve resilience to locked-in climate change should be designed in, including by developing sustainable urban drainage schemes.

12.4 In the interests of building strong regional economies across the UK it is important that stakeholders from the West Midlands are involved in shaping connectivity between our region and the regions of the Northern Powerhouse. Relationships and supply chains cross administrative boundaries. Furthermore, good relationships between the regions will serve the West Midlands well as it seeks further devolution of powers from Whitehall.

## 12.5 Universal Design:-

In improving rail services and assets, new stations and carriages should adhere to universal design principles – ensuring that disability, additional needs or age are no barrier to using a station, its surrounds or a train service safely and logically.