

**Transport Committee – 9 June 2015****Transcript of Agenda Item 9 – National Rail Services in London (Second Panel)**

**Valerie Shawcross CBE AM (Chair):** Welcome, everybody, to the second session on National Rail in London. Welcome to Geoff Hobbs, Head of Planning, TfL; Michael Roberts from the Association of Train Operating Companies (ATOC); Councillor Mike Goodman from Surrey County Council; Paul Millin, an officer from Surrey County Council; Cllr Matthew Balfour from Kent County Council and his officer, Stephen Gasche, from Kent County Council. Thank you, all of you, for giving your time today.

I hope you have had the benefit of being able to listen in to our earlier session. You will see that what we are interested in exploring is how the franchising arrangements in London could be improved and whether or not there is a good and successful model of devolution that would improve things for our passengers in London.

Can I just kick off by asking all of you if you have any comments on what changes to the franchising system should be introduced generally? I will not just say London because we have some of our neighbouring counties here. Which of you would like to kick off on that one? I know, Geoff, you have a lot to say and so maybe we should start at this end of the table.

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** I will try to keep it brief nonetheless. I am going to answer this in the context of London and the urban market.

If there were things I were going to do to change the franchising contracts firstly I would pay for quality directly rather than indirectly, as it is through the classic DfT franchise. For example, I would pay for every minute of delay avoided and for every aspect of service quality. The classic way of doing it is to rely on the quality being felt by passengers who then travel more and the reward is felt through revenue. That is too indirect. Stephen Locke made the point earlier that the London market has some peculiarities in that the second-best choice for many passengers is very second-best indeed. That means there are aspects of a natural monopoly here. Therefore, one cannot rely on a market mechanism directly and one has to have some leveraged incentives instead.

The second thing I would do is to rely rather less on averages within the contract as your measure of success. I say that simply because the averages can hide such a multitude of evils going on underneath. By that I mean you might have an average of reliability or an average of service quality but - in the jargon - the pain points for the customer might be quite small things at a relatively limited number of locations. The averages hide all that. I would spend rather more time looking at the detail because the devil is where that is at.

**Valerie Shawcross CBE AM (Chair):** Michael, what is ATOC's take on this one?

**Michael Roberts (Director General of the Rail Delivery Group and Chief Executive of the Association of Train Operating Companies):** Good morning, and good morning to the Committee as a whole. I should say at the outset that I wear two hats, which I hope is not going to confuse matters, both as Chief Executive of ATOC and also as Director General of the Rail Delivery Group, which represents not just the passenger operators but also freight and indeed Network Rail. I am really speaking as much in that role as anything else.

It is perhaps worth kicking off with general comments about franchising and then to answer your question directly in headline terms about potential improvements. If you look at the history of franchising in Britain over the last 20 years, it is probably more accurate to talk about a process by which the public sector has commissioned rail services. That history has involved a mix of models, not just classic franchises but concessions such as LOROL and other forms of contract, basically, between government - whether national or local - and TOCs. That mixed model, both concession and classic franchise, has delivered for London. Over the 15 years in which the NRPS has been carried out, the sector that has seen the biggest improvement in overall satisfaction for customers has been London and the southeast than that seen for the regional or long distance markets. As part of that narrative of what we have seen in the last 15 years, you have seen the private sector working comfortably and successfully with all sorts of clients, not just the DfT but indeed TfL. LOROL, for example, is one of our members just as much as Virgin Trains.

Having said all of that, we recognise there is considerable variability within the levels of satisfaction overall and indeed in terms of certain elements of service. Value for money has been mentioned quite a lot in the previous session. There is a need to try to ensure that everyone raises their game and aspires to better. There are ways in which the franchising process, as classically defined, can be improved. For example, more emphasis on achieving a target improvement in the NRPS score is a form of improvement that can be introduced and is already being introduced into franchising. The alignment of incentives that was mentioned by Tim Shoveller in the previous session, particularly between operators and Network Rail, to do the right thing is another aspect. There are others. I am sure we can touch on those during the course of the session.

**Valerie Shawcross CBE AM (Chair):** Our colleagues from the counties, welcome.

**Cllr Mike Goodman (Cabinet Member for Environment and Planning, Surrey County Council):** I would just like to go back to what you said in your opening comments when you said that what is important is London residents. What is important to Surrey [County Council] is our Surrey residents. Any change in motion and any change in the future should be centred around what is important to our residents. That is the punctuality of the trains, the frequency of trains and overcrowding, which are serious issues to us.

Surrey was fortunate that two years ago we put together a strategy for our rail travel and we had four clear objectives there: global competitiveness, economic growth, environment and the population growth. We would want to see all those four elements really key to any changes in the future. I would rather not get into detail. I will leave other gentlemen to get into the detail. I would rather look at the bigger picture. I want to leave you with one thing today. That what is important to us in Surrey is our residents.

**Paul Millin (Travel and Transport Group Manager, Surrey County Council):** We have a number of franchises in Surrey - Southern, First Great Western, South West Trains - and we have very good working relationships with all the incumbent franchisees. We deliver a significant number of partnership schemes with those franchise operators every year. That is done through collaboration. I believe the relationship we have with all three TOCs is one of genuine collaboration. They are very keen to work with us. They are very keen to listen to us and take action as appropriate. As Mike said, one of the areas where we are working with the TOCs is around growth, particularly housing growth. The point that was made around the need for balance is incredibly important. You cannot be robbing Peter to pay Paul. That was one of the comments from the Committee Members. That is absolutely the most appropriate comment to make.

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** Curiously, I am going to agree with Surrey up to a point. The point is that of course I am only really interested in the people of Kent; *quelle surprise*.

Michael [Roberts] said that there has been this extraordinary improvement in satisfaction ratings in the last 15 years in the South East. If we look back, we had slam-door trains that did not run, things were late and they were filthy. It was horrible 15 years ago in Kent. Now we have High Speed 1. We have a pretty good service. The trains seem to run more or less on time. It is inevitable that if you start from a desperately low level, any rise is bit of a mirage.

Chair, Stephen [Gasche] will go into more detail because he knows more about it, but quite obviously we do not want any diminution in the services that we currently have. We do not want any fare increases and we want a better service all round. If that can be achieved by partnership, by devolution or by whatever, we are up for that.

**Valerie Shawcross CBE AM (Chair):** We had a really useful letter from your Leader, Paul Carter [Leader, Kent County Council], which I am sure you have with you. We are very, very pleased with the information he has given there. It was very helpful. Stephen, any comments? Do you want to comment on the relationship with the franchisees?

**Stephen Gasche (Principal Rail Transport Planner, Kent County Council):** I would echo what Matthew [Balfour] has said in respect of our primary concern naturally being to stand up for the interests of Kent's rail passengers.

If I can make a more general comment first of all, one of the great strengths of the franchising system in Great Britain as a whole is that once particular difficulties and problems have been dealt with - for example, here in the South East the rebuilding of London Bridge [station] - there is a great virtue in having the award of a long franchise. Once we get to 2018, whatever form the South Eastern franchise then takes, the advantage of a long franchise of seven to ten years means that whoever wins the franchise has the opportunity to invest significantly. The example of Chiltern Railways is one that would be good to follow in that regard.

With the specific issue of the possibility of devolution, is that a question you want to address specifically now?

**Valerie Shawcross CBE AM (Chair):** If you would like to say something about that now, Stephen. We will go into more detail.

**Stephen Gasche (Principal Rail Transport Planner, Kent County Council):** Absolutely. Within the context of protecting the interests of Kent's rail passengers, we would have three very clear red lines we would not want to cross. The first would be to protect the level of fares in Kent. We would want an assurance that the peak and season ticket fares - which are, of course, determined by DfT policy - have increases that are no different from the national increase so that there is no detrimental effect on fares in Kent.

The second red line would be concerning capacity. We would want an assurance that there would not be any danger of the paths that Kent's trains have going through Greater London to the London terminals being taken over in any sense by metro services and that the capacity would be retained at least at its existing level.

The third would be that the naturally expected improvement in metro services - which TfL in this situation would be responsible for - would be delivered through the lengthening of existing metro services, which is in part already planned and could be extended with the expected cascading of rolling stock from Thameslink to Southeastern and Southeastern to TfL metro service beyond 2018.

If we have those red lines that protect the interests of our Kent rail passengers, then, as Matthew [Balfour] said, we would support the transfer of metro services post 2018. There are various other issues that we can come to later on that we would be interested in talking about as well.

**Valerie Shawcross CBE AM (Chair):** It is interesting that you talk about longer franchises because the tendency is going to be shorter post the West Coast franchise fiasco and *The Brown Review [of the Rail Franchising Programme, 2013]*. They are talking now about seven to ten years with extensions only if there are performance improvements. Clearly, there is some thrashing around looking for mechanisms for performance improvements.

Do you have any comments, Stephen, about your particular relationship with Southeastern and the other TOCs you have?

**Stephen Gasche (Principal Rail Transport Planner, Kent County Council):** Certainly. We have a very good working relationship with Southeastern. There has been a very large improvement since 2006 when it won the franchise. We have regular stakeholder meetings. It takes a very active part in our annual rail summits at County Hall. It has meet-the-manager sessions. It is extremely good at communicating to passengers. It knows, obviously, we also have concerns that represent the interests of Kent's rail passengers concerning punctuality when there is a disruption to service. It may be caused by a fatality or an infrastructure failing. It is the way in which the service is restored to normal. I know it is making efforts to ensure its staff are equipped with modern communication equipment so that they can be as up-to-date as some of the passengers are in terms of the way the service is running. There are other concerns people have, but on the whole there has been a big improvement. There is still room for improvement. It is not perfect. We have come an awfully long way in the now nine-plus-year history of the franchise.

**Valerie Shawcross CBE AM (Chair):** Thank you very much for those opening comments. Michael, a specific question about this issue of the revenue risk for the franchises and the special arrangements that were put in place for Southern, Thameslink and the Great Northern franchises: do you think the Government should take on the revenue risk for more franchises in future? Is that something that you see as positive and allows for more secure planning?

**Michael Roberts (Director General of the Rail Delivery Group and Chief Executive of the Association of Train Operating Companies):** The right answer picks up one of the phrases used in the previous session, which is "horses for courses". It is about using the right approach for the particular market that you are trying to serve with a franchise.

It is worth bearing in mind that the model by which operators, generally speaking, across the country have taken on revenue risk has generated a major benefit for the taxpayer. That has been a major incentive for operators to grow the market over the 20 years since we have had private operators running services. That increase in patronage - which is more than can be explained simply by the growth in the economy, urbanisation or other factors - has shown itself in the increasing amount of money that has gone back to Government in the form of payments by operators in return for the right to run the franchises. That amount of money has grown fivefold in the last 15 or 20 years. It is in the order of about £2 billion a year. Governments of different persuasions - whether Labour, Conservative or Coalition - over that period of time have effectively been able to use that dividend - if you want to call it that - as a way of affording the reinvestment in the network that we have seen in recent years.

At the heart of that is a model where revenue risk encourages operators to try to improve the market through a combination not just of marketing but also of improvements to the running of the service. Moving away from

that model in any wholesale way would need to be thought about very seriously. There may be a downside. It may take away an incentive that has a real financial benefit for the taxpayer and ultimately the passenger. However, as I said, in certain circumstances, there is a legitimate case for looking at using it. Picking up on one of the comments from the previous session, the decision for the Government to take revenue risk with the GTR franchise was within the industry recognised as the right decision to take for the reasons that were explained previously. There was such a major investment programme on that bit of network at the time that it would be very difficult, meaningfully, for the operator to take on the revenue risk.

**Joanne McCartney AM:** My questions are on LOROL and they are for you, Geoff, if I can. Obviously, since LOROL has taken over the lines, you have had a very good record with some of the lowest levels of overcrowding, one of the most reliable operators and the highest satisfaction ratings. How has LOROL been able to deliver that improved service compared to previous franchisees? Was it purely about extra investment or was there something else key to that?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** Tim [Shoveller] mentioned that part of the answer is indeed investment. If you spend £1.5 billion, then you expect to see some improvements and - sure enough - so there have been. That is not the whole story. If you look at the measures you mentioned - the public performance measures of reliability, customer satisfaction, demand - what you see is an improvement before the investment monies hit and indeed even during the bad bit of investment, which was the disruption as stations, infrastructure, tracks and trains were being introduced onto the network in that awkward period in 2009/10. What you see even in the early years, 2008 and 2009, are improvements in reliability<sup>1</sup>.

There is another factor at work. That factor is to do with the fact of the nature of the contract that we signed with LOROL. We have a particular contract where we incentivise specifically aspects of quality, notably, of course, reliability and also aspects of the travel environment. We have attention to detail. Indeed, there are a very large number of measures in that contract. A lot of effort goes into managing that contract as well to see that it is delivered to the best of LOROL's ability, which it did with some aplomb. There is that other bit to it. That bit is a big part of it and brought the benefits forward well in advance of the application of investment, which of course brought yet more benefit in the middle period.

**Joanne McCartney AM:** It is not just down to investment, although that helps. It is down to contract management and it is about specification as well.

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** Yes.

**Joanne McCartney AM:** You have now recently taken over what I believe is now called the inner London Anglia line. I have had about six different versions of the title. That goes right through my constituency of Enfield and Haringey and so I have been very supportive of this. Given that there is very little investment compared to what has gone before into this line, how can you secure improvements and what level of improvements are you hoping for on the new line?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** We are in the midst of procuring a new fleet of 31 trains. Hopefully we will be able to announce who the winner of that will be in the next month. That is part of it. Those trains will be absolutely bang up-to-date with all the modern gizmos that you would expect of modern trains compared to the ones at the moment, which date from around about 1980.

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<sup>1</sup> Including customer satisfaction, as clarified by Geoff Hobbs following the meeting.

The other part of the programme of works that will be the most visible over the next couple of years is investment in the 24 stations of that line. Some of the same things, of course, will be happening - I know you did not quite ask about it - for TfL rail services between Liverpool Street and Shenfield. There, of course, the investment is Crossrail, which will completely transform that and take that railway from Liverpool Street straight under London and it will pop up the other side.

**Joanne McCartney AM:** You talked about extra trains, which will be very welcome. Since you took over - and many of us were at the opening launch party only last week - I have had complaints about a reduced number of carriages on the line from eight carriages at peak times to four carriages at times. I notice that TfL on its Twitter feed is saying it is because urgent repairs were needed to the carriages that you had not realised when you took over. Is that going to be resolved soon?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** Yes. That is the short answer. We took on some additional units for that line. Some of those units had been neglected. They had not been on lease and had not been used. We tried to get some service running under the belt before 31 May when it transferred but not always enough. We are working with LOROL on getting those units absolutely up to scratch so that these unplanned short trains do not occur in the future.

**Joanne McCartney AM:** Do you have a timescale for that all?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** It is in the next month. We are working on a daily basis to make sure that rolling stock is absolutely fit for purpose.

**Joanne McCartney AM:** One of the things you were able to announce as well was a cut in rail fares on that line. Can I ask how you have been able to do that? Was that a balance between giving something back to the passengers and investment in the works that you need to do?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** It is simply the application of the TfL tariff - if I can use the word - to the West Anglia lines as well because it becomes part of the London Overground. The main source of the reduction in fares is to do with pay-as-you-go, which is a reasonably large part of the market. There is no longer a through-fare premium if you travel from, say, Enfield Town to Oxford Circus. In the old days you would first pay the National Rail fare. You would change to the Underground for the second leg of the journey through to Oxford Circus and that would then attract a slightly higher fare. Now it is a simple TfL zone 1-5 fare for that particular example. The reduction is a function of simplifying the tariff. That is something that research tells us is popular with customers and has a degree of payoff in the sense that many customers think fares are rather higher than they actually are - it might be hard to imagine but it is true - and there is some benefit in making the tariff at least a little bit simpler. I would not go as far as 'simple' but a little bit simpler.

**Joanne McCartney AM:** If TfL were to take over other franchises, a similar model would be applied. Is that correct?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** Other things being equal, yes. We would want to have a standard set of fares and indeed ticket validities.

**Joanne McCartney AM:** In the earlier session Stephen [Locke] was talking about the fact that under some franchises still there are only two trains an hour. That is certainly the case on the Enfield Town line at the moment. Do you have plans to increase capacity?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** We are looking hard at how we can increase off-peak capacity. Peak capacity would be very difficult. There are a limited number of trains that can get into Liverpool Street. Liverpool Street is a popular place to get to with many more destinations than the old days, with places from Stansted and Cambridge and so forth. If you look at the timetables from back in the dim and distant past, you will see higher frequencies. In the off-peak, yes, one could increase the Enfield Town service. There is a reasonable business case. We are working with Network Rail now to see the feasibility of getting those trains into Liverpool Street in the off-peak and the weekends.

**Joanne McCartney AM:** That is helpful. Thank you.

**Caroline Pidgeon MBE AM (Deputy Chair):** I just wanted to fully understand, because we have colleagues here from other counties, where we might want to take over some of the metro services. Can you be a bit clearer? Would you guarantee that we would see the reduction in fares and also the guarantee of full staffing of stations from the first to the last train, Oyster being rolled out and all those added benefits that we see on our London Overground network rolled out to Surrey or Kent stations that might become part of it in the future?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** We care about - a little bit of jargon - what our brand means and how it is perceived by passengers. We would not want to water that down. Yes, we would want an all-Oyster railway for anything for which we are the passenger contracting authority. Yes, we would want staffing for the whole of the traffic day. Yes, we would want the look and feel of London Overground applied to any other parts of the railway for which we became the contracting authority.

**Caroline Pidgeon MBE AM (Deputy Chair):** You would expect our TfL fares package to apply and therefore you would see, probably, reductions, as we have seen from Brentwood, for example?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** Yes, we would want to apply the TfL tariff in that same manner.

**Caroline Pidgeon MBE AM (Deputy Chair):** Fantastic. That is really good news. I was reading before the meeting an article from Kent from the *Sevenoaks Chronicle*. They have a big campaign, 'Oyster for Sevenoaks', and they are really clear about looking at Essex and saying, "Actually, this looks like something we might want".

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** Just a word of clarification. If you take Shenfield as the next station up from Brentwood, our trains serve Shenfield, but it is a fare set by Abellio Greater Anglia in the past and now because it remains their station. Where the station remains with the longer distance operator, those fares continue to apply. We can only set fares for the stations for which we are responsible.

**Caroline Pidgeon MBE AM (Deputy Chair):** TfL would need to take over more stations to be able to apply fares. That is useful. That is a promising thing in terms of some of the debate we have had in the past with places like Kent.

**Michael Roberts (Director General of the Rail Delivery Group and Chief Executive of the Association of Train Operating Companies):** Could I just add a bit of information to that. The application of the TfL tariff that Geoff mentioned with regard to the West Anglia services that have recently transferred is something that exists already in north London for through services, even where TfL does not have governance over some of the National Rail services. It is a principle that is already to be extended. It is something the rail industry, together with TfL and DfT, is looking at implementing south of the river where it does not really

apply to anything like the same degree as north of the river. This is absent any potential transfer of responsibility of the services. It is actually something that can be done without a change of governance.

There is, of course, always a financial impact in changing the tariff system. Indeed, I cannot remember what the exact cost is but there is a financial impact in the first instance that is going to apply to TfL as a result of the change in tariff that has been mentioned. That is a subject of discussion between TfL, DfT and the industry to resolve. In principle, there is no reason why we could not resolve that.

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** On this point about the tariff, it is quite important to remember that if you reduce the tariff from a station, people next down the line are going to think, "I will go there by car because I get a cheaper trip". We had that problem. Maidstone lost its City of London connections some many years ago due to some brute in DfT taking it away. It meant that a great many people stopped using that line because it only went into Victoria. They climbed into their cars and drove across Kent to Sevenoaks, which is where the predatory eye is at the moment. It caused endless problems on the roads. That is another factor to be dragged in because it needs to be taken into account.

**Valerie Shawcross CBE AM (Chair):** It is a plea for localised planning, is it not, and looking at the impact on the rest of the transport network?

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** Planning would be useful, yes.

**Valerie Shawcross CBE AM (Chair):** Local planning as well would be useful.

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** Any planning!

**Paul Millin (Travel and Transport Group Manager, Surrey County Council):** I was just going to add to that that rail heading is an issue at certain stations already. It is important, therefore, when we are looking at the further devolution of rail that the aspect of appropriate governance and collective working between local authorities, TOCs and TfL is right at the top of the agenda. There are things that county councils - and indeed borough and district councils - working with this can deliver in terms of station or area car-parking ratios.

**Darren Johnson AM:** Picking up on this theme still, Geoff Hobbs, you heard the red lines from Bromley and Kent but similar views were expressed by Surrey as well. Is TfL able to give guarantees on those red lines in future negotiations on the devolution proposals?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** We have fares and capacity. Neither of those sounds a hard thing to agree to. I would suggest that there will be a degree of detail to go through. I would be very happy to work with county colleagues here on a working group, for example, to go through the detail of what that means. None of these seem at all difficult issues to crack.

In terms of fares, just a few words on being able to say it will not have an impact on fares. By separating different services, you guarantee that by itself, it would strike me. How you set fares on the longer distance services would be separate from the metro areas. They would be accounted for separately and so there ought to be no bleed across in terms of fare levels.



In terms of capacity, TfL would not want to and is not allowed to – I use the word pejoratively – steal fast-line paths in any way. There is a big book called the Network Code that describes how Network Rail divides these things up. There is an arbitration process by the ORR. We would not want to and we could not [take longer-distance paths]<sup>2</sup>. Yes, I am very happy to go through the next level of detail in some working group with county colleagues, but the general answer to your question is ‘yes’.

**Darren Johnson AM:** That is reassuring. Obviously, with the Anglia devolution, you were able to reassure local authorities outside London that they would not be affected in an adverse way. Why do you think that was not the case with the discussions with Kent County Council around Southeastern services last time round?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** I rather hope that Kent can help me out with this. There might have been some misunderstanding somewhere down the line.

**Darren Johnson AM:** Can we move into this next round of discussions and negotiations in a more optimistic frame of mind than last time?

**Valerie Shawcross CBE AM (Chair):** Let us hear from Kent.

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** Chair, if you cast your mind back a few years, you will remember that your Mayor had eyes on building a large airport in Kent at Medway, which we were not desperately keen on for reasons that became --

**Darren Johnson AM:** We agreed with you.

**Caroline Pidgeon MBE AM (Deputy Chair):** We were with you there. Hear, hear.

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** We are amongst friends. That is good. The time was not right politically for any sort of dealing with anything that had anything to do with London.

**Caroline Pidgeon MBE AM (Deputy Chair):** That is very interesting.

**Darren Johnson AM:** That is really, really helpful.

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** End of story, really.

**Valerie Shawcross CBE AM (Chair):** Matthew, that is so insightful because we did not know that.

**Darren Johnson AM:** In a way, it poisoned the context in which you were able to --

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** ‘Poisoned’ is a good word.

**Stephen Gasche (Principal Rail Transport Planner, Kent County Council):** Absolutely. We have moved on from that in the way Matthew and I outlined a few minutes ago. We look forward to working with Geoff [Hobbs], as I know my Surrey colleagues will as well, to work through the detail.

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<sup>2</sup> As clarified by Geoff Hobbs, following the meeting.

I would also add that once we have established the red lines, we want to see what we can get out of this positively for Kent's rail passengers. We have already mentioned the Oyster card. The Sevenoaks Rail Travellers Association is very keen on that for Sevenoaks, which we would completely support, and the nearby local station of Dunton Green. Also, it should apply to Gravesend because Gravesend would be one of the stations served by the metro services that operate east of Dartford to Gravesend and on to the Medway towns of Rochester, Chatham and Gillingham. There is a discussion there to be had with Medway as well. We would want to see the gains we could get for some of our west Kent passengers with Oyster cards.

We would also want to see what gains we can get for some of our Main Line passengers. Matthew [Balfour] mentioned the Mid-Kent Line, which serves Maidstone. It is historically a very slow line. It stops at some stations in outer London, which really ought to be better served by the new Thameslink service that will start from Maidstone in 2018 and also the local service that is down to Sevenoaks like Bat & Ball at present. We think some detailed changes around the franchise specification for the new post-2018 franchise could deliver slightly faster rail services for our Mid-Kent passengers on that line. There are probably one or two other examples as well.

**Darren Johnson AM:** That is really useful. Presumably you will be watching very closely TfL handling of the Anglia lines now in terms of all of those issues about serving the local needs in Greater London and the needs beyond the boundary and so on.

**Stephen Gasche (Principal Rail Transport Planner, Kent County Council):** Yes, absolutely. It will be very instructive to see the way in which the West Anglia transfer works in practice and the benefits for rail passengers on those routes under TfL-LOROL's management and also, indeed, as you have said, the Liverpool Street-to-Shenfield part of Crossrail. We can learn from that. We think we can get the best for Kent's rail passengers as well as meeting TfL's needs to get the best for London's suburban passengers from south east London. It can be a win-win.

**Darren Johnson AM:** That is very helpful. That is very encouraging. Surrey, is there a similar level of optimism in Surrey that it can be a win-win?

**Paul Millin (Travel and Transport Group Manager, Surrey County Council):** Yes, absolutely. I would agree with everything that Stephen [Gasche] has said. We have a very good working relationship with TfL. I see Geoff [Hobbs] more than he would probably like, in all honesty. We have a good working relationship. We are obviously working on the existing infrastructure and the existing level of services.

We are also looking to the future of Crossrail 2. As obviously mentioned in the previous discussion, it is one of our county council priorities in terms of new infrastructure. We see the delivery of Crossrail 2 opening up a significant opportunity in certain areas of Surrey. When you look at the potential application of train paths freed up by the creation of Crossrail 2, it becomes very interesting when you get further into deeper Surrey and indeed beyond to the south coast of England. I am very happy to continue that work with TfL.

**Darren Johnson AM:** It seems like we need to tell whoever is next to be Mayor not to plan to build any more airports in Surrey or Kent if we want these negotiations to proceed smoothly. Councillor Goodman?

**Cllr Mike Goodman (Cabinet Member for Environment and Planning, Surrey County Council):** Can I just add to that, Darren? What is really important is that any changes should not be about consultation but should be about working together as part of good governance. I do not see us a consultee. I see us as part of good governance.

**Darren Johnson AM:** As a partner, yes.

**Cllr Mike Goodman (Cabinet Member for Environment and Planning, Surrey County Council):** That is really important.

**Darren Johnson AM:** Presumably you would also echo the points that were made by Stephen Locke earlier about getting the longer term governance arrangements right so that your voices are properly heard in the accountability process.

**Cllr Mike Goodman (Cabinet Member for Environment and Planning, Surrey County Council):** Absolutely, right. Yes.

**Darren Johnson AM:** Then the governance structure in terms of TfL needs to be properly considered. OK, that is useful.

If I can turn to some questions for Geoff now, what is the value-for-money case for devolution, for instance, and for investing in services to increase passenger revenue? Presumably you have done some clear calculations on that.

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** We have done stuff in the past. David Statham noted the work that we did with Southeastern two-and-a-half years ago. We also obviously did a case with colleagues at the DfT for the transfer of West Anglia, which occurred two Sundays ago. The value-for-money case is there in the sense that we set out some ideas about the things that we want to improve and how much that will cost. We know something about the benefits that will accrue and we know the benefits are substantially greater than the costs. This is not to say that it is costless; far from it. Quality costs. That still means that we think that quality is worth paying for, and it is a value-for-money case to do just that.

**Darren Johnson AM:** Is there anything else you want to say on the need to balance the requirements of a suburban metro service with longer-distance services coming into London? Is there anything more you want to say on that?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** Only that this is not a new phenomenon. It is not new in terms of us here at TfL; there are all sorts of services that share infrastructure at the moment. As noted elsewhere, we have been sharing capacity and infrastructure at least since 1933 on the Metropolitan line, for example, and newly on the line up to Cheshunt. This is hardly a new phenomenon elsewhere in the UK, either. There is a set of rules by which these things are governed. Network Rail is the independent timetabler that sees fair play be done, arbitrated by the ORR if needs be. These are all solvable problems, often with precedent.

**Darren Johnson AM:** That is an optimistic note on which to hand back to the Chair. Thank you.

**Valerie Shawcross CBE AM (Chair):** That was very helpful, yes.

**Caroline Pidgeon MBE AM (Deputy Chair):** Yes, it is feeling very optimistic, the discussion this morning. I want to just look at any practical or technical barriers that may exist to this idea of devolving from DfT to TfL running some of these franchises. Are there any major problems? Perhaps if I start with Geoff and Michael [Roberts] before I come on to the counties, are there any major practical or technical issues that you think really need to be overcome?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** Having just lived and breathed this for the last two years with West Anglia, yes, there is a long list of things that need to be done. Many of these are quite dull but all of them are very worthy. The business transfer is, in and of itself, a big undertaking, by which I mean how you divide up the resources used - the trains, obviously, the staff and the stations - and the licensing that needs to be done, the safety case that needs to be achieved, the property, the leases and the contracts. There is a very large body of work to do for each one of these.

There is one particular practical thing that only one person can do and that is placing a statutory instrument in front of Parliament to take the railway out of the DfT franchising regime and into a TfL regime. That person is the Secretary of State for Transport and he can place that order in front of Parliament<sup>3</sup>. That is another reasonably significant piece of work that does take time and energy to undertake. Then there is also the commercial and financial work to do to work out in any given remapping of a franchise how the money flows. This is, again, not new stuff. The vast majority of franchises have had some sort of remapping over the course of the last 20 years and so it is all perfectly solvable, but it does take time and energy.

**Caroline Pidgeon MBE AM (Deputy Chair):** It sounds like an awful lot of work for lawyers, I have to say. Michael, is there anything you want to add on any barriers that you could see, practical or technical barriers, that we have to overcome?

**Michael Roberts (Director General of the Rail Delivery Group and Chief Executive of the Association of Train Operating Companies):** Geoff has done a very good job of comprehensively listing everything. The technical issues are marrying on the one hand ambitions for higher-frequency metro services that share tracks with longer-distance services. Geoff quite rightly indicated that there are ways in which those competing calls on the infrastructure can be managed. Partly it is Network Rail's responsibility, but there is an independent regulator whose job it is to make sure that fair access is provided across those needs.

Commercially, if we are talking about redrawing the boundaries between franchises, clearly, amongst other things, you want to be convinced and comfortable that we do not compromise the economies of scale that might currently exist within an existing franchise structure. David Statham in the previous session was quite eloquent in describing the integrated nature of his business at the moment. It is not to say that it is impossible to separate out, but you have to go in with your eyes open and understand the consequences. There are the financial consequences as well. Different fare structures and different service operating patterns all have a financial consequence, and transferring part or all of some services from DfT to TfL in terms of overall responsibility means that somewhere there is a transfer of money to happen as well. This all has to be resolved.

I should add the Government's point as well: if we are moving to a structure where there are multiple stakeholders to be involved in the process of specifying in a way that meets the needs of all of these using a particular service, it is great. It sounds like peace has broken out - for all sorts of reasons that have been mentioned previously and that were not possible, at least politically - for that engagement to happen. Ultimately, the private sector operator that wins the contract to run whatever that service is wants the comfort of knowing that the final proposition that has been worked through multiple stakeholders is financially robust and operationally resilient and that there is a clear contractual relationship with whoever is the commissioning body. The last thing it wants is to have to try to itself balance the competing interests of multiple players. None of this is irresolvable but clearly, as Geoff [Hobbs] has indicated and as you have expected, there is a lot to do.

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<sup>3</sup> Following the meeting Geoff Hobbs clarified that the Secretary of State can make this process happen.

**Caroline Pidgeon MBE AM (Deputy Chair):** There is a lot to do. What about our colleagues from the counties?

**Cllr Mike Goodman (Cabinet Member for Environment and Planning, Surrey County Council):** I will let Paul [Millin] take the technical up. My plea would be, if one goes down the devolution route, the sooner we are engaged the better. We do not want a *fait accompli*. These are the issues. We need some really good private meetings where we can get together to try to thrash all these issues out. It is the transparency that is really important to us.

**Caroline Pidgeon MBE AM (Deputy Chair):** You want to feel engaged in it rather than the takeover idea?

**Cllr Mike Goodman (Cabinet Member for Environment and Planning, Surrey County Council):** Absolutely.

**Caroline Pidgeon MBE AM (Deputy Chair):** Properly working together?

**Cllr Mike Goodman (Cabinet Member for Environment and Planning, Surrey County Council):** Yes.

**Caroline Pidgeon MBE AM (Deputy Chair):** Paul, did you want to add anything?

**Paul Millin (Travel and Transport Group Manager, Surrey County Council):** Very briefly, I would echo what Mike has just said about governance. Clear and transparent governance is incredibly important. Geoff [Hobbs] has described very eloquently the work that needs to be done. There are no reasons why, if there is a collective will, this cannot happen, but what I would say is local authorities such as Kent and Surrey can make the process an awful lot easier in terms of engaging with our borough and district colleagues and our residents. Our residents probably are not particularly bothered who runs the trains, in all honesty. What they are interested in is being able to get to work, to get their kids to school, to get to the shops and so forth. If we can explain at a local level to our residents in simple terms the complexity of what we are trying to achieve, it will help the process - if it is something that is going to come to fruition - to be delivered a lot more easily.

**Caroline Pidgeon MBE AM (Deputy Chair):** Fantastic. What about our colleagues from Kent?

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** I was just thinking that we of course, like Surrey, have sweet and excellent relationships with all our districts! Obviously, if it is going to happen, we all want it to happen well. That means engagement. That means talking. That means not climbing into silos. As far as Kent is concerned, we would have the perhaps added benefit of having a more enclosed franchise next time around when it comes up in 2018. I seriously do not want to run a railway - do not get me wrong - but it is important that we should be reflecting what our constituents need.

**Stephen Gasche (Principal Rail Transport Planner, Kent County Council):** If I may just add to Matthew's comment, in respect of Kent, we do not have any really difficult technical barriers. One of the issues to talk about with the DfT and TfL and others will be the issue of where the divide is. There is a fairly good fit in terms of most of the metro services, with the exception of the North Kent Line, and there will be a question as to whether the services east of Dartford to Gravesend and Gillingham - and in fact Rainham quite soon - remain part of the Southeastern franchise or become part of the metro. Operationally, they would fit better with the metro. That is a debate to have but it is not insurmountable and, with the goodwill that clearly is here now, we can find a solution with all parties.

**Caroline Pidgeon MBE AM (Deputy Chair):** Fantastic. That is great to hear. Thank you.

**Valerie Shawcross CBE AM (Chair):** That is very good.

**Richard Tracey AM:** To some extent, we have rather started to touch on models of devolution because the question that we wanted to finish up on was what sort of model of devolution you think ought to be considered. There are various ones around the country. We have the London Overground model. We have Merseyside and Merseytravel, where certainly local authorities are all involved in running the transport infrastructure. Then there are Scotland and Wales with a different format, and Northern Ireland. Do you have any particular preferences, speaking to both of you? You are representatives of the counties. Would you want to be involved, say, in a model like the Merseyside one or something different?

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** As I have just said, I am not keen to be having to be responsible for running a railway.

**Richard Tracey AM:** I heard you say that, yes.

**Cllr Matthew Balfour (Cabinet Member for Environment and Transport, Kent County Council):** Kent is trying its hardest to commission other people who are better able to do things than we are and that is a model that makes sense. Stephen [Gasche], of course, could run a railway but he is not going to be allowed to because he has better things to do. Do you have a comment?

**Stephen Gasche (Principal Rail Transport Planner, Kent County Council):** If I could just add to Matthew's comment, the model that we are going to see emerge with West Anglia is one clearly we are going to follow with interest and, as things stand now, it seems to me the best with LOROL as a separate management contract within TfL. That seems to be the one that would work best for Southeastern metro.

**Richard Tracey AM:** Yes. You would like to be involved with TfL? You would like to have some say in it, obviously?

**Stephen Gasche (Principal Rail Transport Planner, Kent County Council):** We would like to have a say in respect of the way that arrangements are made to protect the interests we have outlined, but in terms of what is best for what would be the southeast London metro, the model of West Anglia seems to be a good one. In terms of the Southeastern franchise for Kent, I would envisage that being a renewal in 2018 with our high-speed services as a separate franchise, similar to the other principal franchises like Southwestern, for example.

**Paul Millin (Travel and Transport Group Manager, Surrey County Council):** I would agree with him, although I would probably caveat what Stephen said with, "It is still very early days". As the discussion earlier on this morning was saying, there is significant learning that needs to be undertaken and understood before we move on in terms of what we can learn from the West Anglia experience.

We need to remember that a significant number of our collective residents who live in Kent and Surrey are travelling into London every day, principally to go to work in the mornings and coming home in the evenings, adding value to the London economy, which is incredibly important. However, we also need to remember there are a significant number of residents of London who are coming out to work in Surrey or to work in Kent or to school in Surrey or to school in Kent. We need to understand that and we need to recognise that in terms of how appropriate governance is structured, but we do not want to run a railway, either.

**Richard Tracey AM:** Mike Goodman, what do you have to say on it?

**Cllr Mike Goodman (Cabinet Member for Environment and Planning, Surrey County Council):** I would concur with what Paul says. No, we certainly would not want to run a railway.

**Richard Tracey AM:** You would not?

**Cllr Mike Goodman (Cabinet Member for Environment and Planning, Surrey County Council):** No.

**Paul Millin (Travel and Transport Group Manager, Surrey County Council):** The point that I think Geoff [Hobbs] made earlier on about the independent regulation of the ORR is very important. That is one of the points that we no doubt will have to explain to other Members who are not here and to our residents. The application of train paths and so on, as Geoff was explaining, is a very important point that we need to get across.

**Richard Tracey AM:** The only other thing that I want to take up with you - and of course some of you were listening in to the earlier discussion - is there is a lot of angst about the London Bridge situation in the GLA, in the Assembly and indeed among the public. We are getting feedback from them. At the last Mayor's Question Time a point came up about the control of stations, including obviously London Bridge. I know that the Mayor does believe that probably it would be better if London Bridge were controlled by the Mayor and by TfL but I really want to know from Geoff Hobbs and Michael Roberts. How do you feel about the situation there within this whole story of devolution?

**Michael Roberts (Director General of the Rail Delivery Group and Chief Executive of the Association of Train Operating Companies):** The way forward is to allow the avenues that Phil Hufton in the previous session mentioned to run their course. There were two dimensions. The first is, within any individual station, to make sure that the current arrangements between Network Rail and the TOCs work more effectively. He listed a whole range of initiatives that he has put in place since the most significant problems were experienced at London Bridge and they need to be allowed to bed in.

I thought the other dimension that he mentioned is particularly interesting, which is building on that and looking at how Network Rail and TOCs develop a pan-London approach together with London. That is, in the first instance, the way forward. Of course there are other options allowing TfL to have greater control - if not entire control - over the major stations, but the consequence of that is you create another interface with a National Railway that does not exist at the moment and it is an interface that would need to be managed.

The Committee knows full well that 70% of all railway journeys in the country begin and end in London and by a transfer of responsibility you have a major impact in terms of the creation of an interface with the rest of the country, not just with the southeast hinterland. Before you make that move, before anyone makes that move, allow the improvements that Phil [Hufton] mentioned to bed in.

**Richard Tracey AM:** Geoff, obviously you have been party to these discussions because Sir Peter Hendy [Commissioner, TfL] has made various comments about the control of London Bridge during the course of this. Whether they were off the cuff or deeply studied I do not know. What do you feel in your planning role?

**Geoff Hobbs (Head of Transport Planning, TfL Rail & Underground):** We work with colleagues at Network Rail and TOCs as well in planning London Bridge increasingly closely perforce and certainly over the last six months as the project has moved into the most crucial stage. One example - and there are many others - is travel demand management, where we work with all our colleagues across the rail industry to make sure

that we can handle the passenger volumes in the best possible way. We have made efforts to improve our contingency planning collectively. There are also much greater channels of communication between all different control rooms - our control room in Palestra for London Underground, the control room for Network Rail, for London Bridge, etc - to make sure all those relationships are there and that things can be done when things go wrong, as they occasionally do.

I would not like to suggest in any way that TfL has a magic wand that can make London Bridge come to budget and programme and quality on each and every occasion. However, we can certainly do whatever we possibly can in practical matters to make that project as painless from here on in.

**Valerie Shawcross CBE AM (Chair):** That brings this session to a close. That was incredibly positive. We are utterly delighted and particularly delighted with the contributions from our colleagues from Kent and from Surrey. They are very much appreciated. You had very interesting insights. That kind of openness and honesty gives us a very strong basis for working together in the future and for improving the services to passengers and that is absolutely what this is all about. Thank you very much, all of you.

We will be holding another hour's session on the topic of rail at our next meeting on 8 July and thereafter we will be issuing a report but, as you are probably aware, we are going to be doing some site visits. Certainly Caroline and I are coming on a daytrip to Sevenoaks. I think we will be meeting some rail users, but we will certainly be co-ordinating with our colleagues in Kent for any visits we do. It was a very helpful session today and very much appreciated. Thank you everybody.