

## Report for Resolution

**Report to** Cabinet  
27 October 2010  
**Report of** Head of transportation  
**Subject** Reforming rail franchising

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### Purpose

This report considers Government consultation on proposals to reform rail franchising and recommends a council response

### Recommendations

To endorse the council's response to the 'Reforming Rail Franchising' Government consultation as set out in the report

### Financial Consequences

There are no direct financial consequences arising from this report

### Risk Assessment

High quality rail services are a key to the economic development and regeneration of Norwich. It is therefore important that any framework for franchising passenger services helps to deliver such services.

### Strategic Objective/Service Priorities

The report helps to meet the strategic priorities of a "Strong and prosperous city", "Safe and healthy neighbourhoods" and "Aiming for excellence". The report helps deliver the service plan priority to work with Regional Cities East to maximise the City council's influence on the Greater Anglia rail refranchising.

**Executive Member:** ...

**Ward:** All

### Contact Officers

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### Background Documents

Reforming Rail Franchising, Department for Transport, July 2010  
[Greater Anglia Franchise Consultation and the East Coast Main Line timetable consultations; report to Executive, 24 March 2010](#)

# Report

## Background

1. The new Government has set out proposals to reform rail franchising in an effort to generate greater private investment in the rail system and improve integration between franchise operators and Network Rail which better focuses on outcome for passengers. The consultation elaborates the Government's aspirations to improve efficiency in a more responsive rail industry. The outcome of the consultation will be considered alongside the emerging findings of the Rail Value for Money study and the conclusions of the comprehensive spending review. However the emphasis in the Government's proposals is also on wider passenger and economic benefits.
2. The consultation closed on 18 October and officers have sent a response as set out in this report.
3. The Executive considered the former Government's consultation on the renewal of the Greater Anglia rail franchise at their 24 March 2010 meeting. As a result of the latest consultation, the franchise process for the Greater Anglia rail franchise has been delayed and is now unlikely to be renewed and 'up and running' until February 2012 at the earliest.

## Key proposals

4. The following paragraphs outline the main elements of the Government consultation. In considering the way forward, the Government is keen to receive responses from local government on how to improve the franchising system.

### Franchise length and risk

5. Current franchises are typically between 7 and 10 years. This is a short period to achieve return on the major capital investment typical of the rail industry. It therefore tends to limit such investment and wider innovation. Whilst frequent market testing may have helped to drive down subsidy costs it imposes significant costs in itself. For this reason the Government are proposing that 12 to 15 years should be the standard length for future franchises.
6. Existing longer term franchises such as Chiltern Railways and C2C have stimulated in some commercially driven infrastructure and rolling stock improvements. The Government's proposals explore the possibility of even longer franchises to stimulate further such investment. As part of this the Government is proposing the wider use of mechanisms to allow operators to recoup their costs where they have made investment towards the end of the franchise or where it is of such a scale that return on the investment can only be made during a period longer than the franchise.
7. In general, the Government's proposals are supportive of the council's previously expressed aims to secure more investment into the railway over longer timeframes than has hitherto been the case. Predicted growth within Norwich is long term and it follows that a longer franchise will be better

equipped to secure investment that reflects this growth. Furthermore, even in the absence of growth, investment in rail services to Norwich is badly needed – in particular on the Norwich London line – to safeguard the city’s continuing economic competitiveness. The council is recommended to support such an approach.

### Procurement

8. Franchise operators are currently selected following a year long procurement process which is both costly and can create delay. Therefore the Government are proposing to reduce the time taken. The Government is also proposing to select successful bids based on wider criteria to reflect both the headline financial offer and the value of additional benefits passengers would receive as a result of the bid, including the bid’s proposed investment strategy.
9. The current procurement process is lengthy and delays the introduction of any new investment and therefore proposals to shorten procurement are welcome.

### Franchise management

10. The Government consultation discusses options for more flexible contractual obligations where a franchisee is performing well thus allowing franchise management to focus on high level outcomes. Equally in the event of under-delivery against contracted obligations, franchise management processes would become more intensive.
11. As part of the Greater Anglia franchise specification consultation the former Government stated that it expected “bidders for the new Greater Anglia Franchise to demonstrate a commitment to work with existing partnerships”. This is an important principle. Rail networks connect several different local authority areas and engagement between an operator and a partnership of local authorities – such as Regional Cities East (RCE) – is an efficient means of helping to secure the interests of local communities.
12. In considering the Greater Anglia franchise, RCE considered options to improve working between rail operators and such local authority networks. RCE concluded that board level partnership which brings together the franchisee and Local Authorities could bring significant benefits:
  - Local knowledge which will enable accurate and enhanced strategic planning between the franchise and the locations it serves;
  - Greater ability to secure necessary investment to drive forward the quality of the franchise; and
  - An ability to engage communities and businesses in a strategic way and to build wider level of support for service delivery.
13. RCE concluded that the most beneficial option would be for networks such as RCE to be established as a formal partner working alongside the franchisee. Involvement in this option could potentially be as a Board level stakeholder. At the time potential operators were receptive of this as well as of other similarly innovative options including acting as the Government’s agent to manage the franchise or for networks such as RCE to establish a ‘not for profit’ company to

deliver rail services directly.

14. The approach outlined by RCE not only appeared to find support with the rail industry but also received cross party political support. The Government's present consultation is both wide ranging and open ended. It is therefore recommended that the council's support for the need that franchise operators work with local authority partnerships and in innovative ways along the lines outlined by RCE is strongly pressed. Such a way forward would help operators meet the needs of communities and thus help to produce further benefits for passengers as well as the wider economy and environment, consistent with the Government's overall approach.