



Department
for Transport

Rail Decentralisation

Devolving decision-making on passenger rail services in England

Consultation Responses

November 2012

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1 Introduction

- 1.1 A key part of the Government's localism agenda is to devolve, to a local level of government, responsibility for decisions about rail services that are provided primarily for local people. Although much of the rail network and services are provided for national strategic reasons, some services are primarily local or regional in nature and views have been often expressed by local bodies, such as Passenger Transport Executives (PTEs), Transport for London and some other local authorities, that they are better placed than decision makers in Whitehall to determine what services should be provided.
- 1.2 Consequently, in March 2012, the Department for Transport (DfT) began a 16-week consultation, closing on 28 June, seeking views from stakeholders on the principle of decentralisation, what responsibilities could be devolved and how it might be carried out.
- 1.3 This was an open consultation paper, with no pre-conceived conclusions or decisions having been made. It was aimed in particular at PTEs and local authorities, franchised train operators and their owning groups, rail freight operating companies, rolling stock companies, community rail partnerships and other transport industry participants.
- 1.4 We sought comments from potential devolved bodies and rail industry partners on the following areas in particular:
 - What responsibilities and types of services could devolved decision-making be applied to?
 - What options for devolving decision-making should be further considered and which should be rejected?
 - Which bodies might decision-making be devolved to and how would governance, accountability and transparency be demonstrated?
 - How should funding arrangements operate and major investment decisions be made if responsibilities are devolved?
 - How might risk be dealt with if responsibilities are devolved?
- 1.5 As well as seeking views about the principles of decentralisation, the consultation also invited expressions of interest from bodies who wished to explore the possibility of taking on greater responsibility. Some of these bodies were known prior to the consultation taking place so informal engagement had been taking place with them, for over a year in some cases.
- 1.6 This document is a summary of the views expressed in response to the consultation.

2 Summary

- 2.1 In total the Department received 183 responses. These included replies directly via the Department's website, by emailing a specific consultation email address or by writing directly to the Department
- 2.2 The number of respondents by type of organisation was as follows:

Table 1	
Type of Organisation	Number of Responses
Local Transport Authorities (including county and unitary authorities, integrated transport authorities, and combined authorities)	48
Other Local Authorities (District and Metropolitan District Councils)	15
Groups or Associations of Councils (whose members may also have submitted individual responses)	11
Local Enterprise Partnerships (LEPs)	10
Community Rail Partnerships	10
Representative body or interest groups (including rail user groups)	32
Private Sector Organisations (including chambers of commerce, trade associations, companies and train operators)	15
Professional Bodies (including LA officer groups, chartered institutes, and professional societies)	4
Other Public Bodies	6
Parliamentary and Elected Members (including MPs, Peers, local authority councillors and assembly members)	13
Members of the public	19
TOTAL	183

Key conclusions

- 2.3 The key points from the consultation responses are:
- There is widespread support for the principle of devolution. About 70% of responses expressed support for the principle of decentralisation and for it taking place in certain areas under certain circumstances.

- About 10% of responses indicated they were against decentralisation, either in principle or with respect to the consultee's particular area or circumstances. The remainder indicated no preference one way or the other or made no comment.
- There is a widely held view that there is no one-size-fits-all model of decentralisation that could be applied in all areas of England.
- Concern has been expressed about a number of key issues:
 - democratic accountability across boundaries
 - the level of risk and funding that is to be transferred by central government
 - the need to take account of the interest of all rail users in any devolved arrangement: freight, long-distance and operators of non-devolved services
 - the scope of genuine power and influence that a devolved authority might have with respect to other key stakeholders such as Network Rail and train operating companies

2.4 As well as seeking views about the principles of decentralisation, the consultation also invited expressions of interest from bodies who would like to develop proposals to take on devolved responsibilities for rail services in anticipation of franchises being re-let.

- Three proposals have been received from:
 - The 'Rail in the North' group, which is a consortium of Transport for Greater Manchester (TfGM), South Yorkshire PTE, West Yorkshire PTE and York City Council;
 - Centro (West Midlands PTE);
 - Transport for London (TfL).
- Other expressions of interest were received from the Association of North East Councils (ANEC), Cumbria County Council, the West of England Partnership, Devon and Cornwall and Merseytravel.

3 Responses to the Consultation Questions

Experience of existing rail devolution arrangements

Question 1 of the consultation document said:

Consultees are invited to identify lessons which may be learned from existing rail devolution arrangements in Scotland, Wales, London and on Merseyside, and which are relevant to any proposals for future rail decentralisation covered in this document.

- 3.1 Among those who responded to this question, there was a broad consensus that rail devolution in Britain had been a considerable success. Around a third of those who responded pointed to good experience of devolution or recognised its benefits in existing devolved areas. Devolution in London and Merseyside was recognised as a success
- 3.2 Responses pointed to a number of advantages that devolved responsibility can bring: benefits for passengers, better services, opportunity to integrate transport services in the devolved area, clear lines of accountability.
- 3.3 Responses also noted that:
 - No single approach to devolved authority around the country would be suitable everywhere.
 - Devolved bodies must be properly funded.
 - Devolved arrangements are best suited to self-contained networks. Applying the same principles to other areas could give rise to problems relating to governance across boundaries.
- 3.4 Around a third of local authorities who responded to the consultation did not answer this question or indicated that they were unwilling to comment, having had no direct experience on which to base their views.

How decentralisation could contribute towards achieving objectives and outcomes

Question 2 of the consultation document said:

Consultees are invited to submit views on how they consider that devolving responsibility could help achieve the objectives for the railway set out in paragraph 3.1.

3.5 Chapter 3 of the consultation noted a number of areas where the Government wishes to explore whether decentralisation has the potential to produce outcomes better than those achieved under the current arrangements. These include:

- Cost reduction and enhanced value for money
- Local democratic control
- Benefits for passengers
- Supporting and stimulating economic growth
- Contribution to carbon reduction

3.6 The majority of those who responded felt that decentralisation could meet most of the objectives set out in the consultation document, although many commented that they were unsure how it could reduce costs or achieve value for money. A summary of responses is as follows:

Cost reduction and enhanced value for money

- Of those who responded, a number questioned whether more local control of rail services would in itself achieve a reduction in costs or enhance value for money in the short term. More information was needed on the proposed financial arrangements.
- The work carried out by Community Rail Partnerships was cited as delivering value for money in improving stations and services, achieving growth in patronage and hence income on many local lines.

Local democratic control

- Decentralisation would increase the level of democratic accountability compared to the current system. Local control would also enable quicker and more effective rail decisions.
- With additional responsibility for local rail services, a devolved body could deliver a more effective integrated local transport strategy.
- With sufficient powers and funding a devolved body would be better placed to influence Network Rail and Train Operating Companies in order to achieve the objectives set out in the consultation document.
- Some shire and unitary authorities expressed concerns about the level of influence they might retain over their local rail services should responsibility be devolved to a neighbouring PTE.

Benefits for passengers

- The devolved decision-making body would be more able to improve the local services and facilities for passengers.
- Where devolution already exists, levels of passenger satisfaction have risen.

Supporting and stimulating economic growth

- Local decision-making will help to improve the economic prospects not only for the local area but for the UK economy as a whole
- Greater local involvement in local rail services would enable them to be more closely aligned to the needs of local business and employment.

Contribution to carbon reduction

- Decentralisation would help to contribute to carbon reduction in the local area by shifting travel from car to rail as part of a local integrated transport strategy.
- The contribution of the movement of freight by rail to wider economic and environmental benefits should be taken into account.

Views on activities that should be devolved

Question 3 of the consultation document said:

Comments are invited on the list of responsibilities that should be retained by central government and those that might be devolved to sub-national bodies.

3.7 The consultation examined the range of responsibilities that a devolved authority might undertake and which might be retained by central government. It summarised the proposed split of responsibilities as follows:

Responsibilities that DfT would expect to retain	Responsibilities for which DfT would consider the case for devolution
Safety	Service specification
Security	Capacity – rolling stock
Accessibility	Capacity–infrastructure (from CP6 onwards)
Connectivity enhancements benefiting primarily strategic rail services	Connectivity enhancements benefiting devolved services only
Performance on the strategic rail network	Setting performance targets for devolved services
National ticketing policy/strategy	Local fares policy
	Local ticketing (powers already exist)
	New stations and lines (as now)
	Station enhancements – eg revised National Stations Improvement Programme (NSIP) / Access for All

What respondents said:

- Among those who responded to this question, there was broad agreement with the suggested split between the responsibilities that DfT might devolve and those it should retain.
- Key to the success of devolution would be governance, including the decision-making arrangements of the local body and the level of funding available to enable a devolved body to carry out its responsibilities successfully.
- Devolution of responsibilities should be flexible enough to respond to local circumstances depending on the model adopted, the scope of services to be devolved and to which body.
- There should be clear lines of responsibility between devolved and national authorities and devolved bodies must have sufficient real influence over other stakeholders. Network Rail and the train operators must be clear about whom they are accountable to and for what.

- Devolution of responsibilities should not disadvantage passengers outside the devolved area with respect to, for example, fare levels, infrastructure enhancements and utilisation of rolling stock.
- Decentralisation could adversely affect the cohesion of the national network. It should be treated as a single network for the purpose of considering connectivity between local and strategic services.
- The role of the Office of Rail Regulation (ORR) in regulating nationally access to the network should be maintained.
- Development of the freight network should remain within DfT control.

Views on types of service that should be devolved (I)

Question 4 of the consultation document said:

Which types of service are suitable for local control? Should longer-distance services be regarded as “strategic”, because they serve a variety of markets and economic purposes, and therefore be specified nationally?

3.8 The consultation identified five categories of passenger service:

- A** Inter-city services linking London with other major towns and cities;
- B** Inter-regional services linking large towns and cities, other than London, across the country;
- C** Commuter services into London
- D** Local services conveying people into the major cities and conurbations across the country;
- E** Services linking smaller towns and rural areas with larger towns, cities and the inter-city rail network.

3.9 The consultation suggested that: services in category E appear to be most suitable for possible decentralisation; there are some attractive arguments for local responsibility for services in category D; services in categories A and B appear to be the least suitable for control by a local body.

What respondents said:

- Of those who responded to this question, there was broad agreement with the principle that responsibility for all strategic / long distance routes (categories A and B) should be retained by DfT.
- It is more appropriate for local urban and rural services (categories D and E) to be devolved to local bodies, especially where services did not cross local authority boundaries.
- In addition, many of the respondents living in or around London expressed their support for Transport for London managing London’s inner suburban rail services (category C).
- In agreeing that long-distance services should be specified centrally a number of respondents nevertheless wanted there to be greater local involvement in specifying long-distance services that passed through their area.
- Many also indicated that sufficient funding should be provided to devolved bodies to maintain at least the same level of service as today.
- Responses from the rail freight industry and a number of local bodies with significant freight activity in their area indicated that the network for freight services should be treated in the same way as the long-distance passenger network in being developed and funded centrally.

- Decentralisation should ensure that a balance can be achieved between the needs and interests of local decision-making and maintaining the characteristics of a national network. Demarcation between devolved local services and non-devolved services should align with passenger flows and journey-to-work areas, not necessarily local authority boundaries.
- Some responses commented that all services are essentially strategic as smaller, local routes feed into major, long-distance routes. Each depends on good connectivity with the other.

Views on types of service that should be devolved (II)

Question 5 of the consultation document said:

In areas where responsibility for local passenger services is devolved, what are the implications for other users of the rail network, including freight customers and operators, and how might these implications be addressed?

3.10 The consultation noted that the Government will wish to ensure that any decentralisation of responsibility for franchised passenger services will be managed in a way that respects the interests of other users, including rail freight customers and operators and does not hinder the growth of this sector.

What respondents said:

- Of those who responded to this question there was a consensus that devolved authorities would need to take into account the needs of all users of the network where devolved services operated, whether this was freight, long-distance services or other non-devolved services.
- Responses generally covered two aspects of potential conflict: between the requirements of devolved local passenger services and, on the one hand, rail freight as a national strategic business and, on the other hand, long-distance passenger services. Those concerned about these conflicts were keen for access to paths to be regulated nationally by ORR. There was a degree of assumption that ORR and Network Rail would continue to provide essential regulation and oversight of the allocation of freight paths.
- Responses indicated broad support for rail freight. A number of local authorities, as well as bodies from the rail freight industry considered it vital that freight interests be protected.
- Freight operators were concerned that conflicts between freight and local passenger services would be likely to increase under a devolved arrangement. They were also concerned with respect to the planning authority a devolved body might have with respect to future rail freight interchanges.
- A number of local authorities thought that freight operators should be closely involved with devolved decision-making and bound in with governance arrangements for devolved services.
- In the London area, those supporting devolution of inner suburban services to TfL said they believed that it would not disadvantage other operators as TfL would not have control over path allocation, but that long-distance operators would benefit from improved interchange opportunities and integration with the transport network in London.

Views on the five options

Question 6 of the consultation document said:

Consultees are invited to comment on the models for decentralisation and how they might apply or be appropriate to particular parts of the country or service groups in a particular area.

- 3.11 The consultation identified five potential models for decentralisation:
- 1 co-signatory status, available to PTEs;
 - 2 one franchise, with increments or decrements available to the devolved authority;
 - 3 one franchise with multiple specifications;
 - 4 one principal franchise containing one or more micro-franchises;
 - 5 an entire franchise devolved.
- 3.12 Options 1 and 2 represent broadly the current position. These options were included since by making them work better or applying them more widely it might be possible to achieve many of the objectives of decentralisation without the need for radical change.
- 3.13 Options 3-5 represent potential alternative models that emerged in the course of informal discussions with some local authorities. The consultation invited respondents not only to comment on the options proposed, but also to suggest any alternatives.

What respondents said:

- A commonly recurring phrase in responses was 'no one size fits all'. Responses indicated that no one model could be expected to work for all areas but needed to be developed on the basis of local issues and circumstances. The appropriate devolution model for a particular area would depend on local geography, the structure of the network and service patterns.
- Within London, responses indicated support among several borough councils and members of Parliament for devolution to TfL based on the 'London Overground' model. This view reflected overall support among respondents in London for the Mayor's interest in taking devolved responsibility for some commuter services.
- Some respondents dismissed option 1 as being open only to PTEs and too similar to existing arrangements. Some considered option 2 as offering little meaningful devolution since local transport authorities would have no specific influence over improving rail services.

Views on governance

Question 7 of the consultation document said:

Consultees are invited to comments on issues related to the size of the area that needs to be covered by a devolved body and the governance issues that this may give rise to.

3.14 The consultation identified key issues that DfT considers must be addressed for decentralisation to be successful. With regard to governance, depending on the degree of decentralisation sought, the devolved body must have a governance structure that is able to make all necessary decisions and take responsibility for risk for the duration of a franchise. Above all, it must be democratically accountable.

What respondents said:

- Many responses indicated that individual local authorities would be unlikely to have sufficient resources and expertise to act as a sole devolved authority but would like greater involvement in franchising. A consortium of some kind would be likely to be required.
- The consultation considered whether the area covered by a consortium should be the same as that established by local authorities and LEPs for the purpose of taking responsibility for Local Major Transport Schemes (LMTS). A small number of responses suggested this might be feasible where local authority and LEP boundaries already coincide. However, responses tended not to favour aligning rail decentralisation and local major scheme governance structures. They considered that a viable devolved rail consortium would need to cover a much wider area and in particular reflect the geography of the rail network and journey-to-work areas.
- Some respondents were concerned that any consortium would be likely to reflect the views of the core members and that it is essential that consortium partners have proportionately equal weight in decision-making.
- With regard to Rail in the North's proposals, a number of neighbouring authorities, both to east and west, indicated they should have voting rights in any decision-making by the devolved body.
- There should be arrangements to safeguard the interests of communities neighbouring devolved areas, including those who might find themselves located between devolved regional centres, at risk from an imbalance of service provision in either direction.
- In the London area, most of those who answered indicated support for devolving to TfL services that primarily serve London. Outer suburban and long-distance services should stay with DfT. TfL should have specific governance arrangements to take account of the interests of passengers outside the Greater London Authority boundary.

Views on funding

Question 8 of the consultation document said:

Consultees are invited to comment on the basis on which the level of funding to be devolved might be established.

3.15 The consultation said that, in principle, the Government would expect revenue funding to follow any transfer of responsibility for passenger services currently provided through a franchise agreement. Any profits generated would be used to off-set losses on other services, so the net effect on central government would remain neutral. DfT did not propose to transfer capital funding for additional infrastructure. The consultation also noted that where devolved bodies and the rail industry identified the need for connectivity improvements, a devolved LMTS budget appeared to be the appropriate source of funding for local enhancements.

What respondents said:

- The devolution package would need to include sufficient funding for existing services, enough to allow for passenger growth, ongoing infrastructure maintenance and service enhancement.
- Funding arrangements should be as open and transparent as possible.
- Devolved authorities need assurance that there would be enough funding devolved to manage the services, that the venture would be cost-neutral.
- Any premium made should be ring-fenced to allow for re-investment in the railway or have a 'profit-sharing' arrangement with Network Rail and/or DfT
- Some respondents echoed concerns expressed in response to DfT's earlier consultation on devolving LMTS budgets. They thought the level of LMTS budget would be sufficient only for very small local rail improvements, with the risk of infrastructure schemes above a certain size falling between local priorities of individual transport bodies in a consortium, creating gaps in responsibility across broader areas, which may impede development of some schemes.
- An additional concern was that funding for devolved authorities should not be allocated on a per head basis, as suggested for LMTS funding, as this could significantly disadvantage some rural local authorities with small populations who would have to compete for funding.
- A small number of responses, mainly from county authorities indicated that they particularly wanted funding for NSIP and Access for All schemes to be devolved to give better locally-targeted funding and value for money.
- A number of consultees chose not to comment without more information on the proposed financial arrangements.

Expressions of Interest

Question 9 of the consultation document said:

Expressions of interest are invited from sub-national bodies who would like to develop proposals to take on devolved responsibilities for rail services in anticipation of franchises being re-let.

- 3.16 Three bodies have submitted detailed proposals
- A consortium, known as the 'Rail in the North' group, comprising Transport for Greater Manchester (TfGM), South Yorkshire PTE, West Yorkshire PTE and York City Council
 - Centro (West Midlands PTE)
 - Transport for London (TfL)
- 3.17 Other expressions of interest have been received from the Association of North East Councils (ANEC), Cumbria County Council, the West of England Partnership, Devon and Cornwall and Merseytravel.
- 3.18 The 'Rail in the North' consortium's aim is to be the franchising authority both for services within their area and services that operate some distance beyond their boundary, including the longer distance express services that comprise the current TransPennine Express franchise. Some neighbouring authorities, who do not wish to be part of the consortium, have expressed concern about democratic accountability.
- 3.19 Centro proposes that it should commission and manage local rail services in the West Midlands. The routes covered would include all London Midland services within the Birmingham journey-to-work area including routes beyond the Centro boundary. Consequently, Centro will put in place governance arrangements that will reflect the interests of not only the ITA (on behalf of the Metropolitan Authorities) but also those of neighbouring shire and unitary authorities. Responses indicate that Centro has the support of neighbouring shire and unitary authorities. The main issue is the separation of a West Midlands network based on the Birmingham journey-to-work area and the rest of the London Midland franchise, including the London–Northampton–Birmingham service, which performs a variety of roles including commuting into Birmingham.
- 3.20 TfL proposes taking responsibility for two groups of services: to the north-east of London, services that are part of the Greater Anglia franchise, and in South East London, local services that are part of the Southeastern franchise. TfL believes that the Greater Anglia inner suburban services can be disaggregated from longer distance services with little impact on operational efficiency. It notes the Southeastern network is more complex, affected by a series of changes as a result of the Thameslink project. Both of these service groups are among certain routes that run partially outside the Greater London Authority area on which TfL may specify and pay for changes to service levels.

4 Conclusions and Next Steps

Responding to the Expressions of Interest:

- 4.1 The Government remains committed to seeking to implement an appropriate form of decentralisation in those parts of England where it is sensible to do so.
- 4.2 Following the responses to the consultation, DfT will continue informal discussions with those bodies who have submitted proposals or firm expressions of interest.
- 4.3 It will consider further a number of issues that need to be resolved in order to proceed with any decentralisation agreement, subject to any changes to franchising policy which may emerge from the [Brown review of the rail franchising programme](#).