

Rail Decentralisation

Devolving decision-making on passenger rail services in England

March 2012

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Foreword

The Government's localism agenda is an incredibly important one, putting local communities back in control of the decisions and services that affect their lives.

I am determined to move to a more localised approach to decision-making on the railways. I believe in transferring power and responsibility to the appropriate local level, scaling back central government control. Where our railways provide primarily local services, we want local communities and local authorities to have a bigger say in the way services are run.

This means giving communities the opportunity to take more decisions about the local services they need and to have transparency over the cost of such services compared to other solutions to local transport priorities and wider local objectives. It means allowing the rail industry and local partners to lead delivery and to provide services that meet the needs of local communities and passengers.

Rail has a vital role to play in the national economy, enabling large numbers of people to move between home and work across the country. I am keen to devolve, where appropriate, more accountability and decision-making to the professionals who run our railways – the train operators and the industry as a whole. We will continue to support this essential business and social requirement, working with local stakeholders and train operators to make the best use of our rail network, investing in greater capacity where there is a business case for doing so.

We have also published today our response to Sir Roy McNulty's independent review of value for money for the railways. We have considered carefully the detailed recommendations that Sir Roy produced. These include assessing the scope to devolve more responsibility for commissioning local and regional services from the centre to local bodies.

Over the next few years we will undertake the busiest franchising programme since privatisation. The process for re-letting several franchises will provide a real opportunity to test the case for devolving more decisions to local control.

This consultation suggests that applying the localism agenda to the railways could give local bodies the ability to take more decisions about local rail services. It could involve giving them more transparency over the cost and benefits of such services so that they are better placed to develop priorities for and make decisions on all aspects of local transport to meet wider local objectives.

But before I decide how to devolve, key issues relating to governance, funding, legal powers and the capability of the devolved bodies need to be thoroughly considered. There are many issues to resolve, not least of which is whether to devolve right down to a very local area or try to create a consortium of local authorities to input into decisions across more of a franchise operator's network.

This consultation describes in detail a number of potential approaches to decentralisation, but I do not wish to prescribe any one solution.

I want to hear your views on how devolving responsibility could help achieve better outcomes for passenger and taxpayers. I also want to hear from sub-national bodies who wish to develop proposals to take on responsibility for rail services in their area in anticipation of franchises being re-let.

I believe this consultation is a significant step towards delivering a more effective railway that supports a growing economy, delivers a sustainable transport system, offers an attractive option for business and leisure travellers and provides value for money for the tax payer and the fare payer. I look forward to hearing your views.

Rt Hon Justine Greening MP

1. Introduction

The rail decentralisation proposals

- 1.1** This paper explores how the Government might devolve more responsibility and budgets for rail passenger services in parts of England to local bodies.
- 1.2** It complements the Command Paper¹ on rail reform, which sets out the Government's vision for the railways and responds to Sir Roy McNulty's independent report on value for money on the railways².
- 1.3** This consultation is aimed primarily at:
- Passenger Transport Executives (PTEs) and local authorities,
 - Network Rail,
 - franchised train operators and their owning groups,
 - rail freight operating companies,
 - rolling stock companies,
 - community rail partnerships and
 - other transport industry participants.

Nevertheless, responses are welcome from any interested party.

- 1.4** The Department for Transport (DfT) has already been engaging informally with potentially interested bodies, such as local authorities, PTEs and representative groups across England to gauge the level of interest in principle and will continue to do so during the consultation period.

Why decentralisation is being considered

- 1.5** The passenger rail network in England consists of a variety of different types of service:
- inter-city services linking London with other major cities and towns;
 - inter-regional services linking large towns and cities, other than London, across the country;
 - commuter services taking hundreds of thousands of people to work into London every day on a very congested network;

¹ *Reforming Our Railways: Putting the customer first*, March 2012 www.dft.gov.uk

² *Realising the Potential of GB Rail - Report of the Rail Value for Money Study*, May 2011

- local services conveying people into the major cities and conurbations across the country; and
 - services linking smaller towns and rural areas with larger towns, cities and the inter-city rail network.
- 1.6** Many of these services carry people making relatively short journeys and are a key part of an area's local public transport network. They have seen substantial growth in demand in recent years, a trend that is expected to continue.
- 1.7** At the moment the franchise contracts underlying most train services in England are specified, funded and managed centrally by the DfT based in London. The Government wishes to seek views on whether improved outcomes for passengers and transport users might be achieved in some cases if decisions relating to local rail services were made closer to the communities they serve.
- 1.8** Local decision makers may be well placed to recognise trends in usage and demand, propose how transport networks can best adapt to new housing or employment patterns and determine how the transport network can develop in a way that contributes to achieving the wider economic objectives of an area. They are able to compare the benefits of expenditure on different types of transport provision and make decisions on priorities for expenditure on investment and subsidies, recognising the interests of different groups of users.
- 1.9** This is not to say that local decision makers currently have no influence on the provision of rail services affecting their area:
- DfT consults widely on service specifications prior to an Invitation to Tender (ITT) being issued to bidders for franchises and changes have been made to specifications in response to proposals from stakeholders.
 - Where these have not been accommodated in a specification, PTEs and local authorities can and do specify and fund additions to the base specification either before the franchise begins or during the life of a franchise.
 - If a local authority or PTE concludes that capital investment is required to deliver the rail service improvements it wants, it has the option of seeking Local Major Transport Scheme funding where it considers that such an enhancement is a higher priority than road, bus or other alternative schemes. This funding has, historically, been available from DfT but we are now consulting on devolving this funding stream too¹.
- 1.10** Despite this, there may be other ways of securing local rail services that deliver better outcomes for passengers as well as reducing the cost to the tax payer and providing better value for money.
- 1.11** Sir Roy McNulty recently conducted an independent review of the value for money of the GB rail network. The findings of the study

¹ *Devolving Local Major Transport Schemes*; January 2012 www.dft.gov.uk/consultations

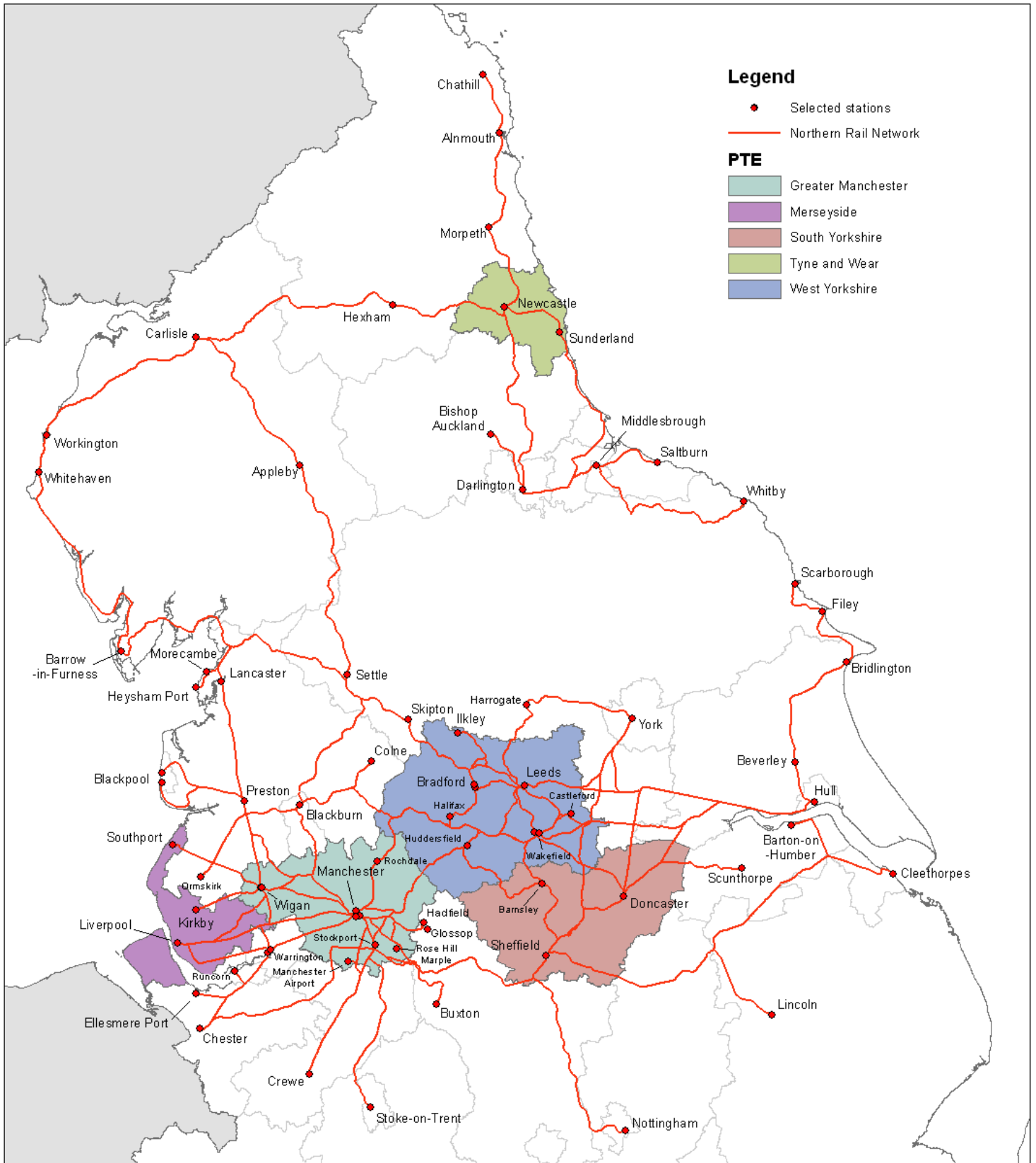
support the Government's view that decentralisation of rail services could potentially play a part in achieving a "lower cost regional railway".

- 1.12** On 5 August 2011, the previous Secretary of State, Philip Hammond, articulated the Government's ongoing programme for the re-letting of English rail franchises, noting that this work represents the largest programme of re-franchising since the industry was privatised in the mid-1990s¹.
- 1.13** The Government believes that the most appropriate time to consider how best to implement a form of decentralisation is at the point that a franchise is being re-tendered. Different franchises are likely to require different approaches but some key franchises containing local services, notably the Great Western and Northern franchises (currently operated by First Great Western and Northern Rail respectively), are due to be let in the next two years.
- 1.14** Full devolution of powers in areas covered by the Great Western franchise will not be possible before the ITT is issued. However, we are consulting informally on how these local authorities can have a greater input into the specification. We are also continuing to consult informally with north of England PTEs and local authorities to ensure that detailed discussions with interested, potential devolved bodies can begin early and be concluded in time for the outcome to be taken into account within the new franchises for that area. Figure 1 and Figure 2, below, indicate Northern Rail's and First Great Western's franchise networks in relation to PTEs and other local authorities.
- 1.15** Given the relatively short timescale to replace them, this document is written with the Northern and Great Western franchises particularly in mind. However, the options discussed in Chapter 4 could apply, with modifications, to any franchise being renewed in the future.
- 1.16** Chapter 2 of this paper considers the current situation with respect to decentralisation of the railways. It outlines areas where devolved responsibility already exists, where central government retains responsibility and the relationship between DfT and local bodies with respect to responsibility for franchises, funding of services and infrastructure.
- 1.17** Chapter 3 considers in detail the objectives that rail decentralisation seeks to achieve and the potential outcomes that a form of decentralisation might bring in terms of value for money, local accountability, benefits for passengers, supporting growth and the environment and reducing overall costs.
- 1.18** Chapter 4 examines more closely a number of options for the structure of decentralised rail services. It also considers the range of responsibilities that the devolved bodies might undertake and the types of rail services that might be involved.

¹ *New Franchising Programme*, 5 August 2011. www.dft.gov.uk

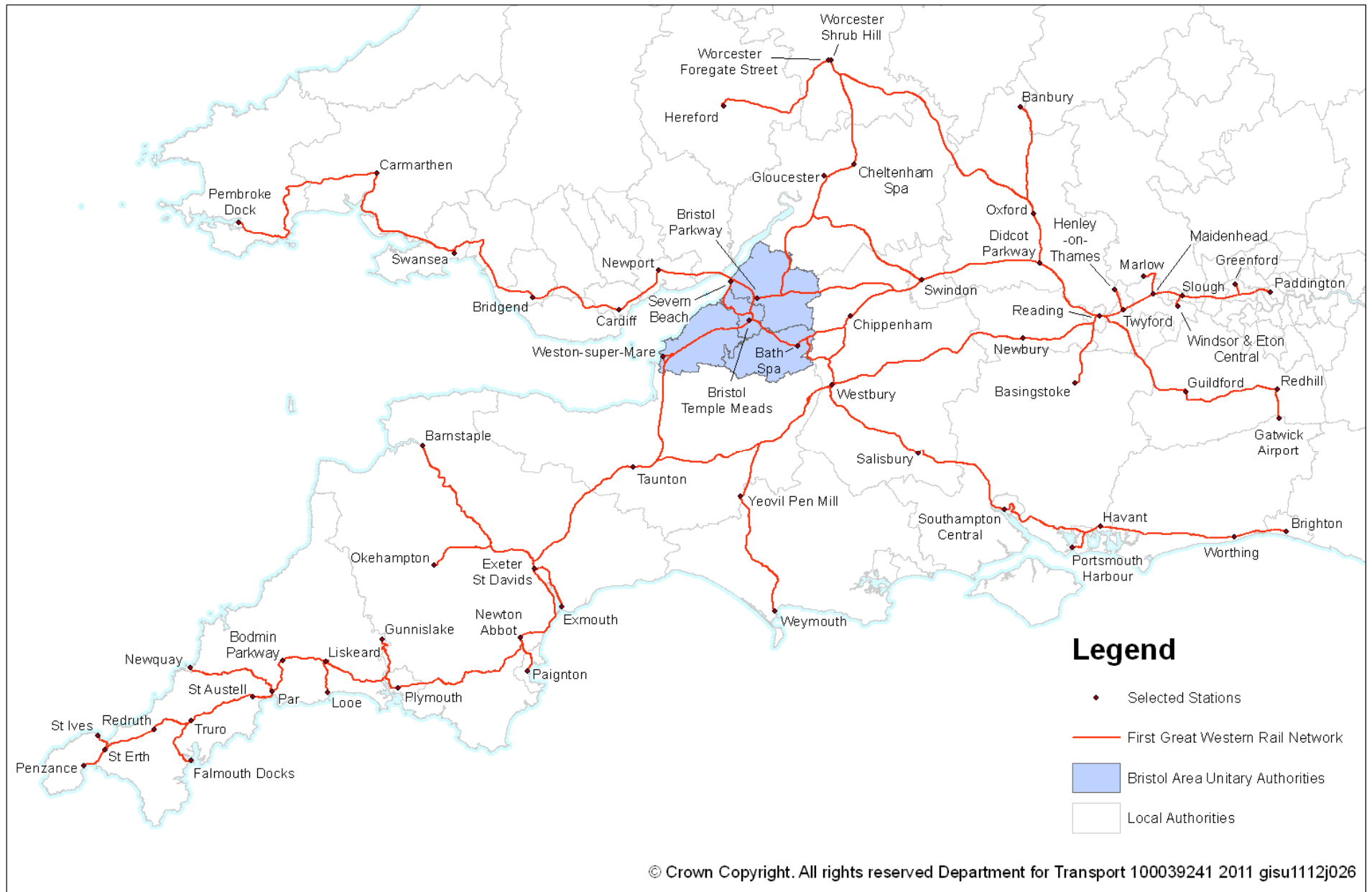
- 1.19** Chapter 5 then considers the implementation of any potential decentralisation. It identifies key issues that would need to be addressed before any rail decentralisation proposal could be implemented, such as questions of governance, funding, legal powers, the capability of a devolved body to take on the prospective responsibility, its ability to bear risk and the timing for establishing any devolved arrangement.
- 1.20** Chapter 6 sets out the key questions to which we invite consultees to respond. These appear at locations throughout the document along with a number of associated questions and key points we invite consultees to consider in preparing their response.
- 1.21** We are seeking 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?
- 1.22** We are also seeking expressions of interest from bodies who would like to develop proposals to take on responsibilities in this area. This is particularly the case in areas covered by the Northern and Great Western franchises but we would also like to hear from other sub-national bodies in anticipation of their respective franchises being re-let. A summary of the planned refranchising timetable is provided at Annex A.

Figure 1: Northern Rail franchise network 2012 (no other routes shown)



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Figure 2: First Great Western franchise network 2012 (no other routes shown)



2. Current Situation

- 2.1** Several models of devolved decision-making for rail already exist across Great Britain:
- a. In **Scotland**, responsibility for the specification, management and funding of the ScotRail franchise was fully transferred to the Scottish Executive in 2005, at the time that the present franchise started. However, the responsibility for specifying, procuring and funding cross-border services operating under the Inter City West Coast, Inter City East Coast, Cross Country and Trans Pennine Express franchises remains with the UK Government. The Scottish Government has powers to buy increments to these services but to date it has not exercised these powers. It has also taken on the responsibility for the High Level Output Specification (HLOS) as it applies to Scotland. It therefore sets the HLOS and funds major enhancements from its devolved budget. It remains the responsibility of the Secretary of State for Transport to specify requirements for the whole of the GB rail network in respect of safety standards and improvements to accessibility and to support the implementation of European legislation and standards.
 - b. In **Wales**, the Welsh Government is now responsible for the specification and primary management of the Wales and Borders franchise (currently operated by Arriva Trains Wales). This includes a number of cross-border services into England and a few services and a number of stations wholly within England. However, a number of key responsibilities and risks, together with the responsibility for procuring the next franchise, currently remain with DfT. These devolved arrangements began in 2006, three years after the present franchise was let. Unlike Scotland, there is currently no separate HLOS for Wales. The UK Government continues to fund, through the HLOS process, interventions necessary to deliver capacity, performance and safety metrics and other enhancements specified in the HLOS. We will continue to work with the Welsh Government to ensure that devolution works in the best interests of passengers.
 - c. On **Merseyside**, the PTE, Merseytravel, assumed responsibility for the specification, management and funding of Merseyrail Electrics in 2003 at the time when the delivery of services was secured through a concession. This was awarded for a period of 25 years. Under a concession, the operator bids for the cost of operating the network of services and is on risk for delivering the

costs it has bid, but the fares revenue (and the upside and downside risk of future growth) passes for the most part directly to the funding authority. On transfer of responsibility, the Department for Transport entered into a funding agreement with Merseytravel to provide a grant to cover the costs of operating the concession. This is reviewed every five years. With the exception of Access for All funding and the National Stations Improvement Programme (NSIP), for which Merseyrail Electrics / Merseytravel is eligible to bid, Merseyrail Electrics is not covered by the HLOS. Any capacity, performance or other enhancements Merseytravel wishes to implement for the network have to be funded from its own resources or through Merseytravel securing funding from other DfT sources of funds for local transport investment.

- d. In **London**, responsibility for the network of services now known as London Overground was devolved to Transport for London (TfL) in 2007. This took place at the time when the former Silverlink franchise was being re-let. As with Merseyrail Electrics, TfL elected to award the contact for the provision of services as a concession, in this case for a period of seven-years. When the changeover took place, the DfT committed to make an annual payment to TfL of around £25 million to reflect the support required at that time to maintain these services. In recent years, TfL has extended London Overground to incorporate the former East London Line, with new links to Highbury & Islington, West Croydon and Crystal Palace. A new branch to Clapham Junction incorporating services currently operated by Southern is scheduled to open in 2012.

Like other local authorities, TfL has the power to suggest increments to and decrements from the DfT's base franchise specification. TfL used the increments facility to buy an enhanced specification within the South Central franchise, covering levels of staffing and minor-maintenance at stations. It has also used the decrements process to prioritise funding for the East London Line extension to Clapham Junction.

2.2 Outside these areas, covering most of England, DfT sets the specification for services contained within a franchise. The Government's new policy relating to franchise specifications is that they should be less prescriptive than before and give more responsibility and flexibility to bidders (and subsequently train operators) to deliver services that best meet passengers' needs. Nevertheless, DfT remains committed to consulting with key stakeholders, including existing and potential devolved bodies, in framing franchise specifications.

2.3 Even after consultation and entering subsequently into detailed discussions with consultees, DfT may be unable to incorporate a local authority or PTE's requests within a franchise specification. This may be due to affordability (where additional subsidy is needed), value for money, concerns about deliverability or the capacity of the

infrastructure to accommodate the services being asked for. The need to make trade-offs between the aims of different localities covered by the franchise or between local, regional and national services on other franchises that share infrastructure might also, in some cases, mean that DfT is unable to agree to such requests.

- 2.4** In the past, PTEs have been co-signatories to franchises providing local services within their jurisdiction and the five north of England PTEs remain co-signatory to the current Northern Rail franchise agreement. Under this arrangement, PTEs receive funding from DfT relating to the subsidy required for services in their area, which they then pass on to the train operator as part of the franchised payment, and take part in the monitoring of the franchise, with particular reference to service and station quality. As a result, in the past they have had greater influence over the specification and management of the franchise than other local authorities in whose jurisdictions the franchise also operates. They have also had greater influence on fares especially through the operation of PTE-led multi-modal ticketing schemes.
- 2.5** The Railways Act 2005 abolished the PTEs' automatic right to be a co-signatory to a franchise providing services in their area. This status is now granted at the discretion of the Secretary of State, when persuaded that the status would add value. The first franchise and PTE to be affected by this was the new West Midlands franchise and Centro (West Midlands PTE) in 2007. On that occasion, the then Secretary of State did not invite Centro to be a co-signatory to the franchise.
- 2.6** Centro is in a similar position to other PTEs, whereby it remains a statutory consultee during the specification process and has the ability to buy and fund increments or propose decrements to the DfT's final specification. A potential funder can do this either by the DfT seeking 'priced options' through the bidding process or by negotiating with the successful bidder. Centro sought prices for a number of options when the West Midlands franchise was let. In the event, Centro saw no advantage in accepting the priced options quoted by the preferred bidder and instead decided to seek a better price through negotiation following the award of the franchise. Subsequently, a smaller number of options were implemented.
- 2.7** This approach is already available to other potential funders and there are a number of cases where local authorities and PTEs have separately negotiated funding for additional services and sometimes rolling stock. Annex B lists the known schemes funded by PTEs and local authorities.
- 2.8** Occasionally there have been local fare increases associated with these improvements. For example, in West Yorkshire, local fare increases have been used to fund extra rolling stock (though fares here are still lower than in some other parts of England).

Long term funding

- 2.9** Local authorities and PTEs have expressed concern that they remain liable to fund, in perpetuity, additional services that they have negotiated even though these may perform better financially than some services contained in the base franchise specification incorporated into the Service Level Commitment.
- 2.10** DfT recognises this and in response has agreed that it will consider taking on responsibility for funding such services after April 2015 or after the promoter has funded the service for a minimum of three years, whichever is later. This is conditional on the additional services demonstrating value for money and being affordable from the budget at that time. The DfT statement is set out in Annex C.

Infrastructure funding and new stations

- 2.11** The first High Level Output Specification (HLOS) for the railways, published in 2007, set out what outputs the then Government intended to buy from the railway for the Control Period CP4 (2009-2014). It set out metrics to be achieved on reliability (performance), capacity and safety as well specific enhancements that the Government wished to buy from the railway. These included projects such as Thameslink Phase One, the rebuilding of Birmingham New Street station, Reading station remodelling and thematic enhancements such as NSIP, Access for All, the Strategic Freight Network and the seven-day railway. Projects arising from these were subsequently proposed by the rail industry and agreed by DfT.
- 2.12** Apart from the overall commitment to increase peak capacity, the 2007 HLOS did not include proposals for specific connectivity enhancements to local rail networks. However, many local services are benefitting from agreements reached with train operators, funded by DfT to deliver increased capacity to meet the HLOS metrics.
- 2.13** Instead, local authorities and PTEs have sought funding from DfT sources aimed at improvements to local transport. These include the Major Local Transport Schemes budget and Local Sustainable Transport Fund, which are intended for a wide range of local transport schemes, from local authority roads to public transport improvements. In cases where a transport scheme can demonstrate a strong link to employment growth and private sector job creation, the Regional Growth Fund also offers a potential source of funding for local rail enhancements.
- 2.14** Some local authorities and PTEs have fully utilised these opportunities. Lancashire County Council and Burnley Borough Council have secured a conditional allocation of capital funding from the Regional Growth Fund for the re-instatement of the Todmorden Curve. Subject to due diligence, this will allow the provision of new direct services between Accrington, Burnley and Manchester. Other proposals involve the

provision of new stations. For example, Warwickshire County Council has been successful in securing funding for a new station at Stratford Parkway from the Local Sustainable Transport Fund. West Yorkshire PTE ('Metro') has secured funding from the Major Local Transport Schemes budget for two new stations at Kirkstall Forge and Apperley Bridge. The DfT is willing to support such proposals provided that they demonstrate value for money and, crucially, that the income generated from passengers arising from new stations covers the on-going costs of operating and serving them.

Community Rail

- 2.15** Although rail services designated as Community Rail Services are funded directly by DfT through the franchising process, many also receive strong input from the local authorities they serve through the establishment and ongoing support of Community Rail Partnerships. These have succeeded in raising awareness and use of lines amongst the resident population and visitors alike and have demonstrated their importance to the economic and social well-being of the areas they serve. Many rely on volunteer help in a variety of ways to enhance the basic railway provision. Through these efforts most partnerships have succeeded in increasing the use made of the services. In taking forward a more localist approach to local rail services, we want to build on the success of Community Rail.
- 2.16** Community Rail Partnerships are key consultees in determining the service specification for services on their lines and their strong local knowledge and understanding of the railway helps to ensure that services on these routes meet the needs of local communities in an affordable way. In essence, Community Rail Partnerships are excellent examples of the Big Society in action and the Government would welcome comments from them on what further benefits they see could arise from devolved decision-making and which option might work best for community rail services.
- 2.17** A significant challenge for these lines remains that of reducing costs. Although this consultation does not include proposals for changing the structure or functions of Network Rail, the Government would welcome the views of Community Rail Partnerships and other bodies on whether some options for decentralisation may lend themselves readily to encouraging innovation in the delivery of community rail and other rural services. We would hope that the cost of these services could be reduced and create benefits for fare payers and tax payers alike. See also paragraph 3.2, below.

Conclusion

- 2.18** This chapter shows that the devolved administrations and many local authorities and PTEs in England already influence the rail services in their areas. In some cases, this is through total or partial

devolution of key responsibilities. In others, it involves the ability to influence or to top-up the specification set by the DfT through securing funding for enhancements to local services or infrastructure.

- 2.19** However, a number of bodies have expressed the view that improved outcomes for passengers and taxpayers could be achieved through a greater level of decentralisation than now exists in many parts of England. Some consider that the existing system is complicated and subject to strong central direction, even where opportunities have been created for local authorities and PTEs to secure improvements over and above the DfT specification.
- 2.20** Subsequent chapters set out what the Government believes should be the desired outcomes and objectives of decentralisation, what activities might be devolved and the various models of decentralisation that might be considered.

Question 1: Experience of existing rail devolution arrangements

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. Decentralisation – objectives and desired outcomes

3.1 There are 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

Cost reduction and enhanced value for money

3.2 Very substantial sums of public money are spent in support of the passenger railway, with the remaining costs being covered by fares revenue. Table 3.1, below, shows the proportion of total costs in 2010-11 covered by passenger revenue and Government subsidy (either through the relevant franchise or direct to Network Rail as grant) for franchises due to be replaced up to 2014 and for which some degree of decentralisation may be possible:

Table 3.1		
Franchise	Proportion (%) of 2010-11 costs covered by:	
	Passenger revenue	Subsidy
NXEA Greater Anglia	83	17
First Great Western	76	24
TransPennine Express	43	57
Northern	22	78

Source: DfT

- 3.3** Table 3.2, below, sets out the amount of subsidy (including network grant allocation) that was paid to each franchise.

Table 3.2	
Franchise	Subsidy 2010-11 (£ million)
NXEA Greater Anglia	103
First Great Western	213
TransPennine Express	197
Northern	429

Source: DfT

- 3.4** Improving the value for money from these operations will, potentially, be achieved in three ways:
- Improving the underlying efficiency of the operation.
 - Increasing the number of people travelling by train.
 - Concentrating on services that offer better value for money.

Improving the underlying efficiency of the operation

- 3.5** While recognising the economic and social benefits that railways bring, the Government has made clear its requirement that they must become significantly more efficient, with the present level of service being provided at lower overall cost. It is expected that decentralisation of substantial responsibility for the railways would be accompanied by decentralisation of funding. However, the Government would expect that the level of funding devolved would fully reflect the efficiency improvements that can reasonably be expected, as well as any extra cost required to respond to growth where this represents value for money.
- 3.6** Among the measures available to improve efficiency and reduce costs (though some may need substantial initial investment) are:
- Adopting lower-cost technologies and practices on routes where this is appropriate
 - Conversion to light-rail operation
 - Simplified signalling and operating methods
 - Route-specific track standards
 - Changes to employee terms and conditions
 - Changes to staffing arrangements on trains and stations
 - Changes to fares and ticketing
- 3.7** All the above are already on the industry's agenda following the McNulty report on rail value for money.

Consultees are invited to comment on whether more local control would be more or less likely to enable the changes described in paragraph 3.6, above, to be made more effectively and in ways which best meet local users' needs.

Increasing the number of people travelling by train

3.8 Increasing the number of people travelling by train will increase the level of revenue earned by the railway. If no additional costs are incurred by accommodating them, this would improve the value for money of the railway. As already noted, demand for rail passenger services has been rising, for example on commuter services in the regional cities where employment patterns have changed. This has been driven by a number of factors including:

- the trend towards city-centre office and retail jobs and away from more dispersed industrial employment;
- the increasing scarcity and cost of city-centre car parking; and
- the cost of motoring.

3.9 Many English cities regard an increase in rail commuter capacity as one of their highest priorities. However, when implementing HLOS capacity enhancements DfT has found that, even taking into account wider benefits, many value-for-money cases for increased capacity have been marginal and they always required an increase in subsidy. Options for funding such enhancements, other than a simple increase in overall central government subsidy, could include:

- re-directing savings that result from greater efficiency in existing operations;
- locally-raised additional funding (e.g. through developer contribution);
- decrements to the base specification, including reductions to other services, or fares increases;
- use of other public transport modes to supplement rail; and
- mechanisms to increase off-peak revenue.

Concentrating on services that offer better value for money

3.10 Each rail franchise consists of a range of service groups, each offering different levels of value for money and economic benefit. As set out above, the Government believes that a more flexible approach to specifying the initial level of the service and its subsequent management will give franchisees the ability to reduce costs and increase revenue. This could (against the background of a finite level of taxpayer support) lead to an overall service offer significantly different from what exists now, but one in which subsidy has been reduced and/or service levels have been enhanced. One issue for consideration, therefore, is whether devolved authorities could or should be permitted to take a different approach.

Consultees are invited to comment on the possible advantages and disadvantages of such decisions being taken at a local level.

3.11 The Government considers that decision-makers at local level may be better placed than central government to identify cases where other transport modes might meet local transport needs more effectively and at lower cost than an existing rail service. For example, in Greater Manchester, some local rail services have been or are being converted to light rail and this is a decision that has been taken locally, albeit substantial central government funding has been needed for the initial investment. Another proposal under consideration is conversion of the St Albans Abbey to Watford Junction line to a light rail service, transferring responsibility for the line and services to Hertfordshire County Council. This service, operated and accountable locally, could bring significant benefits to passengers and be provided at broadly the same cost as the existing heavy rail service.

Consultees are invited to comment on the advantages and disadvantages of placing this responsibility at a local level and the conditions that should apply to such a move.

Local democratic control

3.12 For the Government, it is a fundamental prerequisite of any move towards decentralisation that democratic control and accountability should be enhanced.

3.13 Proposals for decentralising responsibility for rail passenger services need to recognise that the existing structure of rail services is not aligned with local authority areas. For example:

- a. A substantial portion of the York-Harrogate-Leeds route, an essential part of the West Yorkshire commuter rail network, is within the jurisdiction of North Yorkshire County Council and outside the West Yorkshire PTE area;
- b. Some commuter routes into Greater Manchester start in the jurisdiction of authorities in Lancashire, Derbyshire, Merseyside or Cheshire;
- c. Some major inter-urban routes, such as Liverpool-Manchester, Manchester-Sheffield, and Manchester-Leeds, are of equal importance to authorities at each end.

3.14 Existing train service patterns have developed in response to passenger demand and are designed to deliver the most efficient use of railway resources to meet these needs. It is likely that artificial restructuring of service patterns to fit individual local authority boundaries would disadvantage passengers, increase costs and prevent optimum utilisation of the infrastructure. However, local transport authorities have certain powers to make arrangements for the discharge of their functions jointly. In addition to their existing powers

the Localism Act 2011 now gives local authorities a general power of competence not restricted to geographic boundaries. So it appears local transport authorities may be able to make arrangements to enable them to jointly procure cross-boundary regional rail services.

- 3.15** Potential models for devolution are discussed in Chapter 4 and further comments on governance are made in Chapter 5.

Consultees are invited to comment on the proposition that any move towards local control should ensure democratic accountability, while retaining rational railway service groupings and economies of scale.

Benefits for passengers

- 3.16** To be worthwhile, decentralisation should produce benefits to passengers and local transport users that would not otherwise be available. We want to explore whether benefits would result from a local decision-maker's superior understanding of local conditions and accountability to the local electorate in the following areas:
- a. Service groups aligned more to local needs;
 - b. Details of the train service, such as choice of station stops, set to meet specific local requirements;
 - c. Fare levels and structures that meet local economic priorities and market conditions;
 - d. Services planned and integrated to meet demand growth in the most effective way
 - e. Planning of future services and investment closely linked to other local plans, e.g. housing, education, regeneration and economic development; and
 - f. Better integration with other transport modes

Consultees are invited to suggest areas in which they would expect decentralisation to lead to benefits for local transport users.

Supporting and stimulating economic growth

- 3.17** Railways have an important part to play in fostering economic growth. For example, recent years have seen the growth of commercial and financial employment in the urban centres in the north of England. This would have been very difficult to accommodate without commuter rail services to get people into city centres. Rail also has a potentially significant role to play in the development of tourism. Local authorities might well want future rail services configured in conjunction with other planning initiatives and could more readily do this if they had more direct control of rail matters.

Contribution to carbon reduction

3.18 It is clear that choices about public transport can contribute to carbon reduction. Local decision-making could potentially play a part in encouraging public transport use and thus achieving our goals on carbon emissions and congestion, for example through adoption of simpler technologies and operating practices, matching service levels more closely to needs and promoting modal integration and choice.

Consultees are invited to comment on ways in which public transport provision can contribute to carbon reduction, and whether such changes would be more readily achieved through decision-making at local level.

Question 2: How decentralisation could contribute towards achieving objectives and outcomes

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

4. Models for Decentralisation – possible options

What responsibilities might be devolved

- 4.1** This chapter looks at what responsibilities a devolved body might undertake. As explained in Chapter 2, the scope of decentralisation differs in the areas where it currently exists.
- 4.2** The greatest extent of devolution exists in Scotland, but even here, the Secretary of State retains responsibility for safety standards, security, accessibility, and the implementation of European legislation and standards. In addition, DfT retains responsibility for the long distance franchises operating into Scotland (Inter City East Coast, Inter City West Coast, Cross Country and Trans Pennine Express) and cross-boundary ticketing policy and strategy. The ScotRail franchise, which is procured and managed by Transport Scotland, also has a number of services that operate into England, notably the London sleeper services.
- 4.3** In England, much of the network around cities is shared by a variety of users – London based inter-city services, regional long distance services, local passenger rail services and freight. The performance of these networks needs to be considered as a whole. We consider that DfT should continue to set any performance metrics for route networks, although there could be a case for devolved bodies establishing a local performance regime for individual services as part of a decentralisation package. The allocation of capacity on congested networks will remain a role for ORR.
- 4.4** Consequently, it is DfT's view that it should certainly retain responsibility in the following areas:
- Safety
 - Security
 - Accessibility
 - Performance on the strategic rail network (ie those parts of the network used by longer-distance services that are primarily of national importance)
 - National ticketing policy/strategy
 - Connectivity enhancements benefiting primarily strategic rail services

4.5 This leaves the following responsibilities where we would be prepared to consider the case for devolution:

- Service specification
- Capacity – rolling stock
- Capacity – infrastructure (from Control Period CP6 onwards)
- Connectivity enhancements benefiting devolved services only
- New stations and lines (as now)
- Local fares policy
- Local ticketing (powers already exist)
- Setting performance targets for devolved services
- Station enhancements – eg revised NSIP/Access for All

Service Specification

4.6 This is the key area for devolved bodies as it defines all aspects of the services that would be provided within a devolved service group. It includes:

- Routes
- Number and frequency of trains
- Length of operating day
- Weekend service pattern
- Calling patterns
- Journey times
- Ticket office opening hours

Capacity – rolling stock

4.7 A service specification will need to set out a policy defining what crowding standards should be adhered to. These could differ from those set out by DfT. This is currently based on the premise that at peak times, no passenger should be required to stand for longer than 20 minutes and at other times should have a reasonable expectation of a seat. Standing capacity is based on the type of rolling stock in use on a particular route but for commuter stock it is generally based on allowing 0.45sqm space per person. DfT is reviewing how it specifies and manages capacity obligations in future franchises and will seek stakeholder and industry views on this as part of the consultation for each franchise being replaced.

Capacity – infrastructure

4.8 Where there is a need for additional capacity, the industry would first identify whether a solution that does not require additional

infrastructure is available before proposing a solution that involves infrastructure provision. Where additional infrastructure is unavoidably required, the current mechanism is to fund this through the HLOS process at the time of each periodic review. Preparation of the HLOS for Control Period CP5 (2014-2019), due to be published in July 2012, is well underway. It would not, therefore, be possible to devolve any responsibilities for capacity infrastructure before this date. It may be possible to do so from CP6, starting in 2019. However, the need for additional infrastructure capacity is often driven by the demands of a range of different types of service (including long distance services and freight) and the need to improve or maintain an acceptable level of performance. Therefore, it may be more appropriate for DfT to retain the role of funding additional infrastructure where the need is driven primarily by capacity and performance related issues through the HLOS process.

Connectivity enhancements benefitting devolved services only

4.9 Where a devolved body seeks improved services for the reasons of improving connectivity, it is considered entirely reasonable for the devolved body to fund those services from their own resources. This would be a continuation of the existing practice with the exception that the devolved body would be expected to fund such enhancements in perpetuity (assuming long term additional subsidy is required), from savings made elsewhere within the franchise or from funds that the devolved body would generate itself. DfT would continue to fund connectivity enhancements on the strategic network.

New stations and lines

4.10 It is proposed that devolved bodies would continue to take responsibility for those activities that require capital investment such as new stations and lines. Such capital investment would be funded through budgets allocated by DfT for transport projects across all modes, such as the Major Local Transport Schemes budget. It would be for the devolved body therefore, to consider, as now, whether an investment in a heavy rail intervention is the best way to address local transport priorities.

Local fares policy

4.11 Income received from fares is one of the principal means of ensuring that net spending on rail within an area is kept within budget. It can also be a means of managing demand on a network and for providing funds for enhancing the network. We would be prepared to consider whether responsibility for setting local fares could be devolved along with the service specification function. This could give the local body responsibility for determining the right balance between fares levels and the amount of funds available for improving rail services, with central Government responsible for ensuring that the budget allocated to a local body was fair and reasonable overall.

4.12 In parallel with proposals for rail decentralisation, the Government is also consulting on wider fares and ticketing policy¹, which consultees may also wish to consider and respond to separately.

Local ticketing policy

4.13 Most PTEs have inter-modal tickets that are available on local rail services. These indirectly influence the level of fares. Furthermore, some PTEs and local authorities are actively considering implementing smartcards within their area. Given this position, it is appropriate to consider whether more decisions on local ticketing policy can be devolved.

Setting performance targets for devolved services

4.14 As much of the rail network is shared by a variety of services, DfT considers that it should specify performance targets at a national level albeit, as now, with some variations in the level of performance between types of service (eg inter-city, regional and London and South East). Nevertheless, a devolved body may wish to set a different performance metric or measure for a specific route to reflect local needs. An example of this may be a performance measure for a branch line service that shows the percentage of connections with main line services that has been achieved.

Station enhancements

4.15 As a separate initiative, DfT is working with the rail industry to change certain responsibilities for stations between Network Rail and the station facility operator. However, this change in responsibility and longer franchises are unlikely to prevent the need for additional funding to improve station facilities for which there is not necessarily a commercial case. At present, such improvements are funded through the Access for All and NSIP initiative. Consideration is currently being given to whether to continue this programme into CP5 (2014-2019) through the HLOS process. If these or similar funds are retained, it might be appropriate to devolve the administration of the funds to local bodies who would determine, with the rail industry, the priorities for their use. However, a mechanism for allocating such funds locally would be needed.

Question 3: Views on activities that should be devolved:

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.

¹ *Rail Fares and Ticketing Review: Initial consultation*, March 2012 www.dft.gov.uk/consultations

Types of rail services that might be devolved

4.16 DfT has approached this question with the presumption that some train services are primarily of national strategic importance and therefore should be specified and procured centrally, while other services are of greatest significance to more local interests, and might therefore benefit from being locally specified.

4.17 Passenger train services in England fall into the following broad categories

A. Inter-city services linking London with other major towns and cities; e.g.:

- Great Western: London – Bristol/South Wales/South West
- Inter City East Coast
- Inter City West Coast
- East Midlands: Midland Main Line services

B. Inter-regional services linking large towns and cities, other than London, across the country; e.g.:

- Most services in the Cross Country and Trans Pennine Express franchises
- Great Western: Cardiff-Portsmouth
- East Midlands: Liverpool-Norwich
- Northern: Nottingham-Leeds, Leeds-Carlisle, York-Blackpool

C. Commuter services taking hundreds of thousands of people to work into London every day on a very congested network;

D. Local services conveying people into the major cities and conurbations across the country; e.g. Manchester, Liverpool, Birmingham, Leeds, Sheffield, Newcastle and Bristol;

E. Services linking smaller towns and rural areas with larger towns, cities and the inter-city rail network. e.g. Devon and Cornwall, Lancashire and Cumbria, East Anglia, Lincolnshire, N and E Yorkshire.

4.18 Many train services serve more than one of these markets, e.g.:

- a. Inter City East Coast trains serve the London, Leeds and Newcastle commuter markets
- b. Great Western inter-city trains serve rural stations in the west of England, are part of the inter-urban service pattern in South Wales and between Swindon and Gloucester, and contribute significantly to capacity for commuter travel into Paddington and Bristol. Many Cross Country and Trans Pennine Express trains also serve shorter-distance commuter markets at points in their journeys.

4.19 The use of one train service to serve more than one market is an efficient use of railway resources and track capacity. For example, if inter-city trains on London radial routes ceased to call at smaller stations around provincial cities, the commuter travel opportunity they

provide would either be lost or have to be replicated in other franchises at greater overall cost.

- 4.20** Taking decisions at a national level allows a degree of coordination across different franchises to ensure that the needs of different locations are taken into account. The aim is to deliver a configuration of service that makes the necessary trade-offs between different places and passenger groups in a fair way and meets the competing demands on the railways at the lowest overall cost.
- 4.21** Local bodies, if they took responsibility for rail services, might well have different, more localised objectives. Therefore, in identifying services for which responsibility might be devolved, it would be important to distinguish between those services where local specification is likely to produce the greatest overall benefit and those more-strategic services, which, because they serve interests in a number of localities or a variety of market purposes, need to be coordinated with other services. We believe the latter category should continue to be specified and managed centrally, with appropriate local input, whereas we are interested in exploring an expanded role for local decision-making in relation to local services.
- 4.22** Of the above categories, services in predominantly rural category E appear to be most suitable for possible decentralisation, given the predominance of local interest and their operation being largely independent of other services. However, they should also be the easiest to make use of the existing increment/decrement process.
- 4.23** Given the importance of rail to economic development, there are some attractive arguments for local responsibility for services in category D (major conurbations outside London), albeit adequate mechanisms would be needed to ensure that planning of such services was coordinated with other operators' services, including freight.
- 4.24** Services in categories A and B (London and non-London-radial intercity and inter-urban services) operate over relatively long distances, often in more than one region, and serve many different markets and purposes. They appear to be the least suitable for control by a local body representing only a small part of the areas served.

London

- 4.25** The position with London and South East services (category C) needs to be considered in the light of the considerable amount of investment being directed to the heavy rail network in around London. Unlike most other cities in England, the routes into many London terminal stations are already so heavily used that the only way to expand capacity is generally through major infrastructure investment. Current and recent examples of this are Thameslink, Crossrail and HS1.
- 4.26** The need for additional capacity is driven by growth in demand, not just on inner London services but on longer distance commuter services into London from places such as Northampton, Oxford, Newbury,

Brighton, Norwich and Southampton. Indeed, all central London terminal stations are shared by trains that serve both the London area and places well beyond the GLA boundary and 47% of all passenger demand into London in the morning peak takes place on long distance, outer suburban and airport services¹.

- 4.27 Because of the magnitude of the investments required and because of their strategic impact, central Government is best placed to fund such investments and make the strategic decisions on how these investments are best used.
- 4.28 Nevertheless, the Government remains open to considering proposals for devolution of specific services where these are both compatible with the effective operation of the network and capable of providing clear accountability between decision makers and passengers.

Freight

- 4.29 The government is committed to freight on rail, and supports the transfer of freight from road to rail where it is practically and economically sensible. It regards the rail freight sector as one of the successes of rail privatisation.
- 4.30 This consultation relates to decentralisation of responsibility for passenger services, since government has no role in the specification or procurement of rail freight services.
- 4.31 Rail freight traffic patterns typically bear no relation to national or local government areas of jurisdiction or to rail industry administrative and operational divisions, being a function of customer demand. This renders the planning of rail freight movements a complex task, particularly on congested portions of the network. The government will wish to ensure that any decentralisation of responsibility for passenger services will be managed in a way that respects the interests of rail freight customers and operators and does not hinder the growth of this sector.

Views on types of service that should be devolved

Question 4: 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?

Question 5: 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?

¹ *London & South East Route Utilisation Strategy*. Network Rail, July 2011)

Models for decentralisation

- 4.32** Three fundamental issues need to be considered in selecting models for decentralisation:
- Structural model
 - Scope of responsibilities to be devolved
 - Governance – the size and the geographical scope of the sub-national body administering a local rail service group.
- 4.33** The scope will to some extent depend on the structure; the more radical the structure, the greater the scope of responsibilities which it is likely to be appropriate to devolve.
- 4.34** The size of the body administering a rail service group is crucial. Most rail services cross local authority and PTE boundaries. It will therefore rarely be appropriate for an authority to undertake this role acting alone. In conjunction with our consultation on Major Local Transport Schemes, the DfT is encouraging local authorities and Local Enterprise Partnerships (LEPs) to consider forming transport consortia. A consortium formed for this purpose might provide a useful starting point to establish the structures needed to take on rail responsibilities.
- 4.35** Five possible models for decentralisation are described below. Options 1 and 2 represent the current position, although to date relatively little use has been made of Option 2. They have been included as options, since making these work better or applying them more widely may achieve many of the objectives of decentralisation without the need for radical change. In our informal discussions with some PTEs and local authorities, three other possible options have emerged, but there may be others. We invite respondents not only to comment on the options proposed, but also to suggest alternatives.

Option 1: Co-signatory Status

- 4.36** This is the position with the present Northern Rail franchise, which has the five north of England PTEs as co-signatory with the Secretary of State. The Railways Act 2005 removed the PTEs' right to this status for future franchises. It can, however, be granted at the Secretary of State's discretion where a PTE is able to demonstrate that the status adds value.

How it would work

- 4.37** From the earliest stages in developing the specification for a franchise, the Department would work closely with the co-signatories, who would endeavour to see their requirements incorporated in the specification, subject to being affordable and offering adequate value for money. Co-

signatories could also request the inclusion of priced options in the ITT, to be funded by them.

Potential advantages

- This arrangement is well understood, having operated already with PTEs.
- Risk to PTEs is limited to the cost of initiating increments being within budget (which may then be taken over by central government) and remains low throughout the life of the franchise.

Potential disadvantages

- This arrangement potentially offers co-signatories more influence than is commensurate with their financial stake and any additional potential risks that are carried.
- The co-signatory arrangements have historically extended and added expense to the procurement process

Key issues to consider

- Does co-signatory status add any value to the process, or could similar outcomes be achieved through less formal cooperation?
- Does this option provide appropriate incentives to the co-signatory parties?

Option 2: One franchise, one specification

4.38 PTEs or other local authorities (LAs) buy enhancements to the Department's base specification or make proposals to reduce services/increase fares and retain the funding.

How it would work

4.39 Following a period of consultation, which includes PTEs and LAs, the Department would publish its base specification. PTEs and LAs could then propose increments or decrements to the base.

4.40 Examples of possible increments are:

- additional train services,
 - a reduction in fares levels,
- with the PTE or LA paying for the higher subsidy/reduced premium.

4.41 Examples of possible decrements are:

- a reduction in train services,
- an increase in fares levels,

with the PTE or LA receiving from the Department the value of the reduction in subsidy or increase in premium.

4.42 The increments/decrements could be procured by:

- Agreement of costs with the Department before the ITT is issued, with the change then being incorporated in the base specification;
- Requests within the ITT for priced options;
- Direct negotiation with the successful bidder after award of the main contract.

Potential advantages

- The process is well understood. Provided that the number of priced options is contained, it is relatively simple for bidders.
- Enhancements bought by PTEs/LAs are clearly identified, and their costs are known.
- Risk to PTEs/LAs is limited to the cost of increments being within budget (which may then be taken over by central government) and remains low throughout the franchise.

Potential disadvantages

- PTEs/LAs have no additional influence over the base specification for franchises.
- DfT will be issuing less-tightly defined specifications for franchised services wherever possible, which may make defining increments or decrements to the base service more difficult in some circumstances.
- The risk that acceptance of an increment might require the base specification to be re-worked could create uncertainty in the bidding process and reduce value for money to the taxpayer

Key issues to consider

- Does this approach offer worthwhile opportunities for PTEs or LAs to secure changes that offer significant local benefits?
- Is this an effective approach within the current franchising policy and process? Could it be enhanced to provide greater influence for PTEs/LAs?

Option 3: One franchise, multiple specifications

4.43 With one operator for the whole franchise, PTEs or LAs would take responsibility for specific service groups, with the Department retaining responsibility for the strategic elements of the franchise and those services where no local body wishes to undertake any responsibilities.

How it would work

4.44 At some point in the process, DfT would devolve funding to a PTE or LA for an agreed service group. The PTE or LA could supplement this funding from its own resources to secure a higher level of specification. The whole franchise would be tendered as one, but bidders would be required to price devolved service groups separately within the overall total. Award of the franchise would be considered on the basis of total price for whole franchise.

Potential advantages

- The PTE/LA would have the freedom, subject to their funding priorities, to specify devolved service groups to meet local needs.
- Because the service group would still be part of a wider network and franchise, it would continue to benefit from the associated economies of scale.
- Risk-sharing with the DfT would continue, with DfT remaining as operator of last resort.

Potential disadvantages

- It may be difficult to identify coherent service groups that are aligned sufficiently closely with PTE/LA jurisdictions, and sufficiently distinct as a railway operation.
- Bidding would become more complex, and it may be difficult to design bid assessment fairly in a way that balances DfT and PTE/LA outcomes, allowing both to achieve value for money, affordability and a match with desired objectives
- Managing contracts could become more complex and potentially more expensive (although the Northern franchise operator already has to answer to a number of PTEs). Longer franchises with, potentially, the increased need for in-term changes could increase this complexity.

Key issues to consider

- Should the funding to be devolved be determined before or after tendering of the franchise?
- Should PTEs/LAs be permitted to specify decrements as well as increments to a devolved specification?
- What principles should govern the definition of service groups for this purpose?

Option 4: One principal franchise, one or more “micro-franchises”

How it would work

4.45 The DfT would procure and manage a principal franchise. However, operationally self-contained service groups or routes could be separately tendered and managed by PTEs/LAs or other bodies, as “micro-franchises”. This could happen at the same time as or, more probably, subsequent to the main tendering process with services being tendered out or sub-contracted from the principal franchise. This differs fundamentally from Option 3 in that the micro-franchises could be operated by different companies from the principal franchise. An example of this kind of arrangement is the proposal, currently under consideration, to convert the St Albans Abbey to Watford Junction line to light rail offering a more-frequent service at broadly the same cost. Responsibility for the line and services would transfer to Hertfordshire County Council, who would then re-let the contract.

4.46 It may be appropriate for resources released by savings to be deployed to support local transport priorities. However, when the change is initiated after franchise award, sharing some of the benefit with the main franchisee might have advantages in placing an additional incentive on the operator to focus on the delivery of cost reductions.

Potential advantages

- The PTE/LA specifier would have full control over the micro-franchise.
- This could allow different contract lengths and conditions and facilitate new approaches to investment, innovation, and efficiency.
- Complete separation from the principal franchise would make it necessary to identify true costs and revenues and provide greater transparency. This could be provided through the competitive process.
- A sub-contracted or micro-franchise operator may find it easier to reduce costs by implementing different operating and working practices to that of the principal franchise.

Potential disadvantages

- It may be difficult to identify coherent service groups that are aligned sufficiently closely with PTE/LA administrative areas.
- Bidding for more, albeit smaller, franchises will increase costs and complexity, particularly if terms and conditions vary.
- There may be adverse consequences from the loss of economies of scale and increased industry fragmentation although it should be possible for bidders for the smaller operations to subcontract rolling stock, maintenance, etc from the principal franchise if that were the most efficient way of doing so.

- There may be conflicts between the specifications of different 'franchising authorities' over allocation of train paths or limited types of rolling stock that would need to be resolved.
- With more contracts to manage, total administrative costs would increase.
- Risks of franchise failure, including 'operator of last resort' responsibilities, would need to be borne by the PTE/LA. Other risks, such as pension liabilities may also need to transfer.

Key issues to consider

- What criteria should be used to define micro-franchises?
- What benefits would micro-franchises facilitate?
- How might the potential disadvantages identified above be mitigated?

Option 5: Entire franchise devolved to a grouping of PTEs/LAs

How it would work

4.47 A group of LAs and/or PTEs would form a consortium to take responsibility for specifying, funding and managing a wider network of services. DfT would allocate a grant to fund the devolved services.

Potential advantages

- Such a grouping of authorities would be able to optimise services across a wide area to meet local and wider intra-regional needs, including better integration with spatial planning strategy and decisions, and with other transport modes.
- A large and varied portfolio of services within such a grouping might improve the prospects for external fund-raising.
- This approach is consistent with emerging proposals to have greater devolution of funding and decisions for local major transport schemes

Potential disadvantages

- There may be legal constraints to this model (such as the current legislative restriction on PTEs specifying services more than 25 miles beyond the PTE boundary).
- It could be difficult to establish a consortium of a significant number of different authorities with sufficient democratic accountability, able to act as a single decision-making body throughout the franchise term.

- The consortium may not be able to take the associated financial risk, particularly over a long period, in the absence of powers to raise significant amounts of additional funding.
- There may be conflicts between the specifications of different 'franchising authorities' over allocation of train paths or limited types of rolling stock that would need to be resolved in a way that delivers the best service for passengers on the network as a whole.
- There is a risk that each authority's incentive to maximise revenues creates an overall service pattern that focuses on competing for the highest revenue flows at the expense of other passengers and a rational service design.
- Any residual services remaining a DfT responsibility might be too disparate to constitute an attractive grouping to franchise bidders.
- Such a consortium may not be capable of exercising Operator of Last Resort responsibilities. Other risks, such as pension liabilities may also need to transfer.

Key issues to consider

- Can governance structures be developed that would ensure timely and balance decision-making throughout the franchise term?
- How would the interests of authorities choosing not to participate be safeguarded and how would the interests of passengers residing in those areas be protected?
- What criteria should be used to define networks to be devolved in this way? What part should railway operational and economic considerations play in such definition?

Question 6: Views on the five options

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.

Scope of franchise-related activities that might be devolved

4.48 The following are the principal responsibilities that need to be undertaken in the franchising process. Exactly which responsibilities it might be appropriate to devolve needs to be considered for each of the options. Our initial views on this are set out in table 4.1, below.

a. Planning - setting the franchise specification and the contractual terms

- Determining the franchise/contract commercial conditions, such as the term, risk allocation and the core responsibilities and duties of the train operator with associated incentives or penalties
- Setting the specification, including the form in which train service requirements are expressed, the level of train service required.
- Identifying any investment to be secured through the franchise/contract, for example in rolling stock or stations
- Some elements of local fares and ticketing policy
- Ensuring that the specification is affordable within funds available and meets local value-for-money criteria, and securing approval to procure.

b. Procurement

- Announcement of intention to procure (Prior Information Notice, OJEU notice)
- Pre-qualification of bidders
- Design of bid evaluation criteria
- Production and issue of tender documents
- Bid evaluation, contract negotiation and contract award
- Mobilisation.

c. Contract management

- Monitoring of performance of against committed contractual obligations
- Monitoring operational performance, taking corrective action as necessary
- Monitoring financial performance and stability of the operator
- Developing and negotiating contract variations
- Action to secure service continuity in the event of contract default.

Table 4.1 How responsibilities might be assigned under various decentralisation models

Activity	Option 1: LAs/PTEs as co-signatory	Option 2: One franchise, one specification	Option 3: One franchise, multiple specifications	Option 4: Principal franchise, with micro-franchises	Option 5: Entire franchise devolved
<u>Planning</u>					
Commercial terms	DfT	DfT	DfT and LA	DfT and LA	LA
Train service specification	DfT in consultation with LA	DfT in consultation with LA	DfT and LA	DfT and LA	LA
Investment required	DfT	DfT	DfT and LA	DfT and LA	LA
Fares and ticketing policy	DfT (plus LA for increments / decrements)	DfT (plus LA for increments / decrements)	DfT and LA	DfT and LA	LA
Approval to procure, including affordability and vfm assessment	DfT (plus LA for increments / decrements)	DfT (plus LA for increments / decrements)	DfT and LA	DfT and LA	LA
<u>Procurement</u>					
Notice of intention to procure	DfT	DfT	DfT	DfT and LA, or DfT on LA's behalf	LA, or DfT on LA's behalf
Pre-qualification of bidders	DfT	DfT	DfT	DfT and LA, or DfT on LA's behalf	LA, or DfT on LA's behalf
Design of bid evaluation criteria	DfT in consultation with LA	DfT in consultation with LA	DfT in consultation with LA	DfT and LA, or DfT on LA's behalf	LA, or DfT on LA's behalf
Issue of invitation to tender	DfT	DfT	DfT	DfT and LA, or DfT on LA's behalf	LA, or DfT on LA's behalf
Bid evaluation	DfT in consultation with LA	DfT in consultation with LA	DfT in consultation with LA	DfT and LA, or DfT on LA's behalf	LA, or DfT on LA's behalf

Activity	Option 1: LAs/PTEs as co-signatory	Option 2: One franchise, one specification	Option 3: One franchise, multiple specifications	Option 4: Principal franchise, with micro-franchises	Option 5: Entire franchise devolved
Contract award	DfT in consultation with LA	DfT in consultation with LA	DfT in consultation with LA	DfT and LA	LA
Mobilisation	DfT	DfT	DfT	DfT and LA, or DfT on LA's behalf	LA
<u>Contract management</u>					
Monitoring and control	DfT	DfT	DfT and LA	DfT and LA	LA
Contract variation	DfT	DfT	DfT and LA	DfT and LA	LA
Security of service continuity	DfT	DfT	DfT	DfT and LA, or DfT	LA or DfT

5. Implementing decentralisation – making it work

Introduction

5.1 This chapter identifies the key issues that must be addressed for decentralisation to be successful. As noted at the beginning of this paper, DfT has already been engaging informally with potential interested bodies. We will be happy to continue to do so during the consultation period, for example with respect to considering the substantial implementation issues, which are set out in this chapter. These are:

- **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;
- **Funding** – in most cases the devolved body will expect a block grant or ‘dowry’ from the Government to enable it to fund a network of services similar to that which exists prior to decentralisation. The devolved body will also wish to ensure that the network is able to adapt to the changing needs of its users, including the provision of additional capacity to meet growth in demand, and to support economic growth by improving local connectivity.

Governance

5.2 In England outside London, government relating to transport at sub-national level is the responsibility of county and unitary authorities. In most metropolitan areas, it is the responsibility of the PTEs, which are the executive arms of Integrated Transport Authorities. In Manchester, a combined authority has been created with transport responsibilities being undertaken by Transport for Greater Manchester (TfGM).

5.3 Few rail services operate solely within the boundaries of a single local transport authority. Even in the larger metropolitan areas, the ‘journey to work’ areas of major cities extend beyond their jurisdiction and the rail network and the pattern of use reflects this. The ‘journey to work’ areas of some metropolitan areas overlap and the networks in neighbouring shire counties and unitaries are heavily influenced by demand exerted by the major cities close to their borders.

- 5.4** Under most of the options considered for decentralisation in Chapter 4, devolution of total responsibility to a single authority acting alone will not be practical and some form of consortium arrangement would be necessary.
- 5.5** The Government does not wish to dictate to local authorities what structure of joint-working arrangement should be in place or what area each devolved body should cover. It should be for the bodies themselves, working closely with local partners, such as LEPs to determine the most appropriate size of such a consortium and the governance arrangements that need to be in place to make it work effectively. Separately, the Government is consulting on the funding arrangements for Major Local Transport Schemes after 2015. It may be worthwhile considering whether the area covered by a consortium of local authorities and PTEs should be the same as that established by them and LEPs for the purpose of taking responsibility for a local major transport scheme budget. As explained below, it is this budget that is likely to fund any significant enhancements to local rail networks.
- 5.6** The Government will ultimately need to ensure that the structure proposed by the devolved body is 'fit for purpose', that it is able to take on the responsibilities it is seeking and that the proposal as a whole meets the objectives for decentralisation set out in Chapter 3.
- 5.7** In evaluating proposals for decentralisation, the Government will consider the following:
- **Legal powers.** If possible the Government would prefer to implement decentralisation without new primary legislation. In submitting proposals a potential devolved body should demonstrate clearly the extent to which they are permitted by existing legal powers. Annex D gives a brief indicator of relevant current powers of local transport authorities relating to this activity. However, the proposed body should seek its own advice on whether powers do exist for it to fulfil its ambitions.
 - **The capability of the proposed body.** Individual local authorities and PTEs will need to demonstrate that they will have the administrative capability to carry out the functions they propose to undertake and the ability to make difficult and potentially contentious decisions. Therefore, capability will need to be demonstrated at both the executive and decision-making level. In the case of the latter, where joint authorities are being established, the representation of each participating authority and the process through which decisions are to be made need to be clear. The proposed arrangements, however, should be proportionate to the degree of decentralisation being sought.
 - **The ability to bear risk.** The body should be able to bear the foreseeable risks associated with undertaking the functions it is seeking. These relate primarily to the financial position of the devolved network. In setting out a proposal, a potential devolved

body should consider whether it would seek to take on the responsibility of the 'operator of last resort function'.

- **Timing.** Although the best time to establish a devolved arrangement is during the lead-up to the replacement of a franchise, it is not imperative that this is the case. In the case of Great Western, it will not be possible to establish a fully devolved arrangement before the franchise is let. If decentralisation is not to happen at this time, the proposal should set out from what date the intended responsibility is being sought and what transitional arrangements are proposed.

Funding

5.8 Assuming the group of services devolved to a sub-national body is expected to require ongoing subsidy, in principle the Government would expect revenue funding to follow any transfer of responsibility for rail passenger services currently provided through a franchise agreement. If a package were to contain services that provided a premium, then any profits generated would be used to off-set losses on other services, so the net effect on central government remains neutral. The agreement of revenue funds transferred will be complex, but should reflect the following principles. The funds transferred:

- a. should be sufficient to enable the devolved body to procure the agreed level and quality of service;
- b. should fully reflect the improvement in efficiency that the railway industry is expected to achieve;
- c. should not in aggregate increase the overall cost of providing a given level and quality of service;
- d. may take account of the cost to the franchise of providing additional capacity to meet demand growth where this is affordable and represents value for money, while recognising that growth in demand will increase the income the railway earns;
- e. would not provide new funds for service enhancements to meet connectivity objectives, but local bodies could use their own funds for this purpose or propose decrements that could be used to fund enhancements elsewhere;
- f. should reflect such matters as the scope of activities being devolved and the level of risk being transferred;
- g. should take account of future revenue growth that is likely to offset the need for Government support

5.9 As noted in paragraph 4.8, DfT does not propose to transfer rail capital funding for additional infrastructure to meet a capacity requirement. As noted in paragraph 4.14, DfT is currently considering whether to continue the NSIP and Access for All Programme into CP5 (2014-2019) through the HLOS process. If these or similar funds are retained,

it might be appropriate to transfer the administration of the funds to devolved bodies who would determine, with the rail industry, the priorities for their use.

- 5.10** In cases where devolved bodies and the rail industry identified the need for an infrastructure enhancement to deliver connectivity improvements, a devolved Major Local Transport Schemes budget appears to be the appropriate source of funding. The consultation on funding arrangements for major local transport schemes proposes that a consortium of local transport authorities could spend funding on any transport interventions it regarded as being the highest local priority to support sustainable development and economic growth. These could include local rail schemes.

Views on governance

Question 7: Comments are invited to comment 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.

Views on funding

Question 8: Consultees are invited to comment on the basis on which the level of funding to be devolved might be established.

6. Consultation Questions

Experience of existing rail devolution arrangements

- 1 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.

How decentralisation could contribute towards achieving objectives and outcomes

- 2 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.

Views on activities that should be devolved

- 3 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.

Views on types of service that should be devolved

- 4 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?
- 5 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?

Views on the five options

- 6 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.

Views on governance

- 7 Comments are invited 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.

Views on funding

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

Expressions of Interest

- 9 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. A summary of the planned re-franchising timetable is provided at Annex A.

7. How to Respond

The consultation period began on 8 March 2012 and will run for sixteen weeks. The closing date is **28 June 2012**.

Please ensure that your response reaches us before the closing date. If you would like further copies of this consultation document, it can be found at (web address) or you can contact (name) if you would like alternative formats (Braille, audio CD, etc).

You are invited to respond to the consultation via the [online form](https://consultation.dft.gov.uk/dft/2012-10/consult_view/), (https://consultation.dft.gov.uk/dft/2012-10/consult_view/)

Alternatively you may send your response **by email** to:

rail.decentralisation@dft.gsi.gov.uk

or **by post** to:

Rail Decentralisation Consultation
Department for Transport
Rail Directorate
Zone 3/15
Great Minster House
33 Horseferry Road
London
SW1P 4DR

When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

What will happen next?

Following the closure of this consultation, the Department for Transport will consider all of the representations submitted and publish a summary of them and its conclusions on its website at www.dft.gov.uk within three months.

Impact Assessment

This consultation explores a wide range of options as to whether and how rail decentralisation might be taken forward, focusing on the background to the issue, identification of policy objectives and the rationale for government intervention and the gathering of evidence from interested parties. At this stage we are inviting comments on the broad proposals and expressions of interest in taking them forward.

In view of that, no impact assessment has been published alongside this consultation. We will keep under review the potential requirement for a formal impact assessment in light of the representations we receive.

Freedom of Information

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the Data Protection Act (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.



Consultation criteria

The consultation is being conducted in line with the Government's Code of Practice on Consultation. The consultation criteria are listed in Annex E. A full version of the Code of Practice on Consultation is available on the Better Regulation Executive website at <http://www.bis.gov.uk/files/file47158.pdf>

If you consider that this consultation does not comply with the criteria or have comments about the consultation process please contact:

Consultation Co-ordinator
Department for Transport
Zone 1/14 Great Minster House
33 Horseferry Road
London SW1P 4DR
Email consultation@dft.gsi.gov.uk

Annex A Rail Franchising Timetable

KEY		Existing rail franchises showing expected end date
		Indicates Initial Expiry Date (see note 5)

Franchise name	Train Operating Company (Owning Group)	Start	Note	2012	2013	2014	2015	2016	2017	2018	2019	2020	Later
Inter City West Coast	Virgin Trains (Virgin Rail Group)	Mar-97		Dec 2012									
Great Western	First Great Western (FirstGroup)	Apr-06	1	Apr 2013									
Essex Thameside	C2C (National Express)	May-96		May 2013									
Thameslink	First Capital Connect (FirstGroup)	Apr-06	1, 2	Sept 2013									
Integrated Kent	Southeastern (Govia)	Apr-06	1, 2		Mar 2014								
South Central	Southern (Govia)	Sep-09	1, 2, 6			July 2015							
Northern	Northern (Serco-Abellio)	Dec-04	1, 3	Sept 2013									
Inter City East Coast	East Coast Main Line Company Limited	Nov-09	4	Dec 2013									
Greater Anglia	Greater Anglia (Abellio)	Feb-12			July 2014								
Trans Pennine Express	First Keolis TransPennine Express (First)	Feb-04	3		Between 1 Apr 2014 and 1 Apr 2015								
East Midlands	East Midlands Trains (Stagecoach)	Nov-07	1, 5			Apr 2015							
West Midlands	London Midland (Govia)	Nov-07	1, 5			Sept 2015							
Cross Country	CrossCountry (Arriva)	Nov-07	1, 5				Mar 2016						
South West	South West Trains (Stagecoach)	Feb-07	1, 5					Feb 2017					
Chiltern	Chiltern Railways (DB Regio)	Mar-02	7										Dec 2021
Wales and Borders	Arriva Trains Wales (Arriva)	Dec-03	1, 8							Oct 2018			

Notes:

- 1 Franchise Agreement includes the provision for an extension of up to 7 reporting periods (a reporting period is normally 4 weeks).
- 2 The new Thameslink franchise will include all services currently operated by First Capital Connect from Sept 2013; some services currently operated by Southeastern at a point between April and Dec 2014; and include all services operated by the current Southern Franchise from July 2015.
- 3 The Ministerial Statement on 5 August 2011 announced an extension incorporating the flexibility to terminate the TransPennine franchise between April 2014 and 1 April 2015. This could allow the start dates for the new Northern and TransPennine franchises to be aligned in April 2014, by also exercising the short extension provision in the current Northern
- 4 Operated by East Coast Main Line Company Limited and owned by Directly Operated Railways Ltd (a company established by Government) until a new franchise to operate services on the East Coast Main Line is let to the private sector.
- 5 The franchise end date is subject to performance criteria being met during a Continuation Review period. If the operator fails to meet defined performance criteria the Secretary of State may elect to let the franchise finish at its Initial Expiry Date.
- 6 July 2015 expiry date confirmed on 28 December 2011.
- 7 The Chiltern franchise agreement includes provision for extensions to the initial term up to the full franchise term, based upon successful implementation of agreed output plans. The Franchise Agreement includes the provision for the term to be further extended by mutual agreement by up to 5 years beyond Dec 2021.
- 8 Management of the franchise is devolved to the Welsh Government, but DfT is the procuring authority. Performance is reviewed against defined key criteria at the end of each ATW Performance Review Period to determine whether the Franchise Agreement is to continue. The next Performance Review Period ends on 31 March 2013. If ATW satisfies the key criteria the Franchise Agreement will continue to the franchise expiry date of 14 October 2018. The Franchise Agreement includes the provision for the term to be further extended by mutual agreement by up to 5 years beyond Oct 2018.

Annex B

Services Currently Funded by Local Authorities

Bristol City Council and South Gloucestershire Council

Bristol Temple Meads to Avonmouth / Severn Beach

Centro

Birmingham New Street –Rugeley (evening)

Walsall – Rugeley (Sat off-peak)

Cornwall County Council

Truro – Falmouth

Devon County Council

Exeter – Barnstaple (extra round trips Mon-Fri, Sun)

Okehampton – Exeter (summer only)

Nottinghamshire County Council

Nottingham–Mansfield (Sun)

Oxfordshire County Council

Oxford – Bicester Town (Mon- Fri, Sun)

South Yorkshire PTE and Yorkshire Forward

Derby-Sheffield (extension of St. Pancras– Derby service)

Transport for Greater Manchester

Manchester – Wigan, via Atherton (Sun)

Manchester – Rochdale (evening)

Manchester – Huddersfield (Sun)

Manchester – Stalybridge (shoulder peak)

Kent County Council

Extension of HS1 services to Deal and Sandwich

Annex C

Conditions relating to the funding of new or enhanced services promoted by local bodies

5 February 2009

Subject to funding being allocated for this purpose in Railway Control Period 5, DfT would intend to resource fund the provision of new and enhanced services where:

1. The promoter has engaged at an early stage with DfT, the TOC, Network Rail and all have indicated that there is merit in the scheme being developed further.
2. The promoter demonstrates, and has Network Rail and TOC endorsement, that the enhancement is deliverable in planning, engineering and operational terms including being consistent with RUSs.
3. The scheme is affordable from any budget which might be set for this purpose in CP5.
4. The enhancement package (including any service reductions proposed to fund it) must demonstrate a business case (BCR in excess of 1.5) before implementation.
5. The promoter accepts the risk on any capital investment required and identifies a funding source.
6. The promoter agrees to fund any additional subsidy requirements arising from the provision of the new service for a period of three years (and remains on risk for a DfT decision not to support the scheme) or identifies decrements elsewhere or new revenue sources (which would need to be agreed with DfT) on the local network including fares increases above RPI+1% or +3% (where applicable) which would contribute to a reduced overall subsidy requirement.
7. The promoter should provide information to DfT on usage throughout the three year trial period. After year 2, the promoter would assess the financial and economic performance of the service based on year 2's results.
8. Should continuing the service demonstrate a BCR in excess of 1.5, subject to affordability within the available budget, DfT would consider taking on the responsibility of funding its continuation after year 3 alongside other services within a franchise, or if funding is not available, invite the promoter to identify decrements to enable the service to continue.

9. Should continuing the service demonstrate a BCR of between 1.0 and 1.5, DfT and the promoter would negotiate but with no presumption of Government funding.
10. Should the BCR be less than 1.0, DfT would not provide any funding.
11. DfT would not propose to take any financial responsibility until April 2015; hence services which start before April 2012 would need to be funded wholly by the promoter for a period of more than 3 years.
12. For new stations being served by existing services, although the promoter might have to provide some pump-priming funding until the station becomes established, DfT would expect that fare income would cover additional operating costs and that no additional subsidy would be required after 3 years.

For devolved networks within the TfL concession and Merseyrail Electrics concession, the policy adopted in the 2007 White Paper would apply and extra services would be funded through locally determined budgets.

Annex D

Powers to implement local passenger rail service decentralisation in England

Main line rail services

- 1 Most main line passenger rail services are procured by central government under the Railways Act 1993. They are provided by rail operating companies who are contracted to provide them through franchise agreements made with the Secretary of State. The Secretary of State is the sole rail franchise authority and is empowered as such to let these contracts under the Railways Act 1993.
- 2 Nevertheless, PTEs can have an involvement. Under the Railways Act 2005 a PTE may be made a co-signatory to such a contract where the rail services run in its area. In the north of England the five northern PTEs are co-signatories to the rail franchise contract with Northern Rail. By law the Secretary of State is obliged to consult PTEs about proposed franchise agreements in their areas. This gives them the opportunity to propose additional services, better quality services and concessionary fares, albeit they would have to be prepared to fund these if their proposals were not cost-neutral. Also a PTE has the power, with the Secretary of State's approval, to enter into an agreement directly with the Secretary of State's contracted rail franchise operator for purposes relating to the provision of rail services in its area.
- 3 Although local transport authorities outside metropolitan areas have no statutory role in rail franchising the Secretary of State typically consults them about proposed new rail franchises. They too can engage with the Secretary of State with a view to proposing additional or better quality services, and seek to use their own resources to fund these.

De-designation of main line rail services

- 4 But because, under the Railways Act 1993, the Secretary of State is the sole main line passenger rail franchising authority, local transport authorities cannot directly procure and manage franchised main line passenger rail services themselves. However, the Secretary of State may make orders under section 24 of the Act to exempt rail services from the main line rail franchising regime. This has the potential to enable local transport authorities to deploy their own public transport powers and duties to secure main line rail services in their areas instead of central government. This has already been done in Merseyside where in conjunction with a de-designation order the local PTE, Merseytravel, has used its powers to let a passenger rail concession to Merseyrail Electrics,

a joint venture company between Serco and Abellio. It has also been done in London with Transport for London's London Overground concessions.

Powers of local transport authorities

- 5 In the large metropolitan areas (i.e. Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire) Integrated Transport Authorities ("ITAs"), or in the case of Greater Manchester the Combined Authority, are the local transport authorities responsible for local public transport policy and implementation under the Transport Acts 1968 and 2000. ITAs implement policy through their respective PTEs, which have broad statutory duties and powers to take action under the Transport Act 1968, including the power to make provision for certain transport services up to 25 miles beyond their boundaries.
- 6 Outside these areas the County Councils and Unitary Authorities are the local transport authorities, with duties and powers under the Transport Acts 1985 and 2000 to develop and implement policy for the provision of public transport services in their areas.
- 7 Under the Local Government Act 1972 all local transport authorities have certain powers to make arrangements for the discharge of their functions jointly.
- 8 For local transport authorities outside ITA areas the Localism Act 2011 has granted a general power of competence. In particular the general power is not restricted to being operated in their own areas. It would be for those authorities to consider if this new power could be used to enable joint working with other transport authorities to procure the operation of main line rail passenger services, for example via concession agreements, going beyond their areas or if other powers would be more suitable.
- 9 For ITAs and PTEs although the Localism Act does not grant a general power of competence, or remove a PTE's twenty five mile distance limit, it inserts new sections into the Local Transport Act 2008 for ITAs, and into the Transport Act 1968 for PTEs, to broaden their existing powers to take action in relation to, or incidental to, the carrying on of their existing functions.

Local passenger rail service decentralisation in England

- 10 If further local passenger rail decentralisation was to be pursued the starting point would therefore be to use existing statutory powers and seek to avoid the need for further legislation as far as possible. Authorities would have to review those powers but it appears that they could be used to increase local transport authority involvement in main line passenger rail services in England to a greater or lesser extent with no further primary legislation (except perhaps in relation to a PTE's distance limit). This might

range on a scale from the Secretary of State increasing the extent of consultation with authorities on the design of services procured in franchise agreements to de-designating them from central government control to allow authorities to procure passenger rail concessions direct.

Scope of this Annex

11 This Annex is intended as a brief indication of its subject matter and does not purport to identify all relevant powers and duties, their limitations and conditions.

Annex E

Consultation criteria

1. When to consult

Formal consultation should take place at a stage when there is scope to influence the policy outcome.

2. Duration of consultation exercises

Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

3. Clarity of scope and impact

Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

4. Accessibility of consultation exercises

Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

5. The burden of consultation

Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

6. Responsiveness of consultation exercises

Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

7. Capacity to consult

Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.