

Helen Cavanagh
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12 February 2014

Dear Helen,

Thank you for your email addressed to Rachel Gilliland, dated 24th January 2014 regarding Alliance Rail Holding's (Alliance) Section 17 proposal. I am sure you are aware that the government values the benefits of competition that open access can bring and this was echoed in the Houses of Parliament on the 23rd January 2014 when Rail Minister Stephen Hammond MP stated:

“Open access operators have helped to provide innovative services for passengers and have helped to grow new rail markets—often with excellent passenger satisfaction scores. The additional competitive pressure in the market provided by open access can also improve the experience of passengers of franchised services”.

You raised a concern that more services on the ECML may prohibit the future Northern franchise from running some of its existing services – although I cannot find evidence of these concerns being raised when the potential for further franchised services has been proposed. Our proposals will require services to make optimum use of the infrastructure, and we expect that this will be in accordance with the established industry rules contained in the Network Code and within the available contractual flex contained in operators contracts.

With CP4 interventions creating further capacity¹ - and work currently being undertaken during CP5 with the Connectivity Fund² - then it is more than reasonable to expect the significant investment made in the infrastructure will deliver what is promised – further capacity and journey time improvements.

We are also mindful of the provisions of Para 18 (5) of the Railways Infrastructure (Access and Management) Regulations 2005 (“AMR”), and you will be aware that if a better use of the infrastructure is found, then the contractual rights can be changed. However, in this

¹ CP4 Delivery Plan – Programme 18 – ECML improvements (July 2013) shows as outputs:

- Up to one additional long distance high speed passenger path per hour off peak
- Up to two additional long distance high speed passenger paths in each peak hour

This is delivered via a significant number of scheme outputs.

² The Secretary of State ... “seeks further improvement in capacity and reduction in journey times”.

instance, Alliance does not see the introduction of this significant new service, which has the support of Nexus, having a detrimental impact on the current Northern service.

Alliance has not been involved in the creation of the ITT for the East Coast franchise, which is expected to be issued later in February, but we have made it clear the timing of the application is to give some clarity to bidders. The GNER proposal seeks to generate significant modal shift from air, which can only be accomplished with significant journey time improvements – something that will not be possible without tilting trains.

You also comment about possible inefficiencies for Northern (which is heavily resource as opposed to consumer led) leading to possible reduction in value for money for the Northern franchise. Of course this all needs to be placed in context against the significant value created by the introduction of a completely privately funded new service (and the 275 jobs that accompany it) against the perceived ‘loss in value’ of a very heavily subsidised franchise.

The ORR applies the ‘not primarily abstractive test’ as the balance between the benefits and costs of a proposed open access service. This aims to ensure that applicants for open access routes will generate at least 30p of new revenue for every £1 of existing revenue which is abstracted from franchised operators. The ORR has concluded that if the open access operator generates any less new revenue, the benefits of their operation would not outweigh the costs.

The Government policy as recently re-stated by Rail Minister Stephen Hammond MP *“is to support the not primarily abstractive test in its current form”*, and that *“our assessment is that for this very different part of the rail market the open access system works well for both customers and the public purse”*.

The Alliance proposal comfortably exceeds the threshold set by the ORR, and as acknowledged by the government, offers a service that will work well for both customers and the public purse.

Yours Sincerely,



Ian Yeowart
Managing Director