Ian Williams
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ORR
One Kemble Street
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16th November 2016

Dear Ian,

In response to your letter dated 12th August 2016 requesting a revised letter that can be shared with the industry, we are jointly writing to give the ORR and other operators a clear understanding as to why NR has agreed to specific rights in this instance. The questions within your letter that are unanswered by this one will be addressed in separate responses.

Our overall approach is aligned with ORR guidelines (particularly sections 8.70, 8.96, 8.99, 8.101 and 8.106) and Network Rail (NR) policy, developing a pragmatic contract that allows NR to make best use of capacity whilst providing XCTL with a proportionate level of protection on key flows.

XC Trains Ltd.'s (XCTL) application for more specific rights is based on a combination of factors. We believe that the sum of all of these business needs form a logical argument as to why XCTL has a demonstrable business need for specific rights. The evidence provided in support of XCTL's application is consistent with NR's Access Rights Policy. Some evidence is included in the body of this letter, whereas some other elements are commercially sensitive and contained in Appendix 1, which cannot be shared with the industry.

Journey Time Protection

Fast journey times are key to passenger retention on XCTL's Plymouth to Edinburgh and Newcastle to Reading service groups. The reasons for this include, but are not exclusive to, the following:

1. XCTL is particularly susceptible to modal shift due to the unique profile of its customers. XCTL's passengers are predominantly leisure and irregular business travellers, both of which suffer from a greater elasticity of demand than other types of passengers such as regular commuters.[1] Specific percentage breakdowns, compared to other available industry figures, have been provided in a separate letter to the ORR and the commercially sensitive appendix to this letter. The elasticity of these types of travellers, above others, is supported by the widely-used Passenger Demand Forecasting Handbook;
2. 57% of XCTL's passengers consider the car to be a viable alternative to their train journey because:
    a. XCTL is the only long distance operator primarily serving non-London destinations, where car parking is comparably available and cost effective;
    b. XCTL's services mirror the motorway so closely that road journey times are highly competitive, as illustrated by Figure 1; and
    c. A relatively high proportion (40%) of XCTL's passengers change trains during their journey, resulting in generalised journey times much greater than passengers with a single train in their journey for a similar distance covered. A small journey increase can break a connection time at a station, forcing an extended wait for the next service. This makes car journeys relatively more attractive.

[1] http://www.demandforpublictransport.co.uk/TRL593.pdf

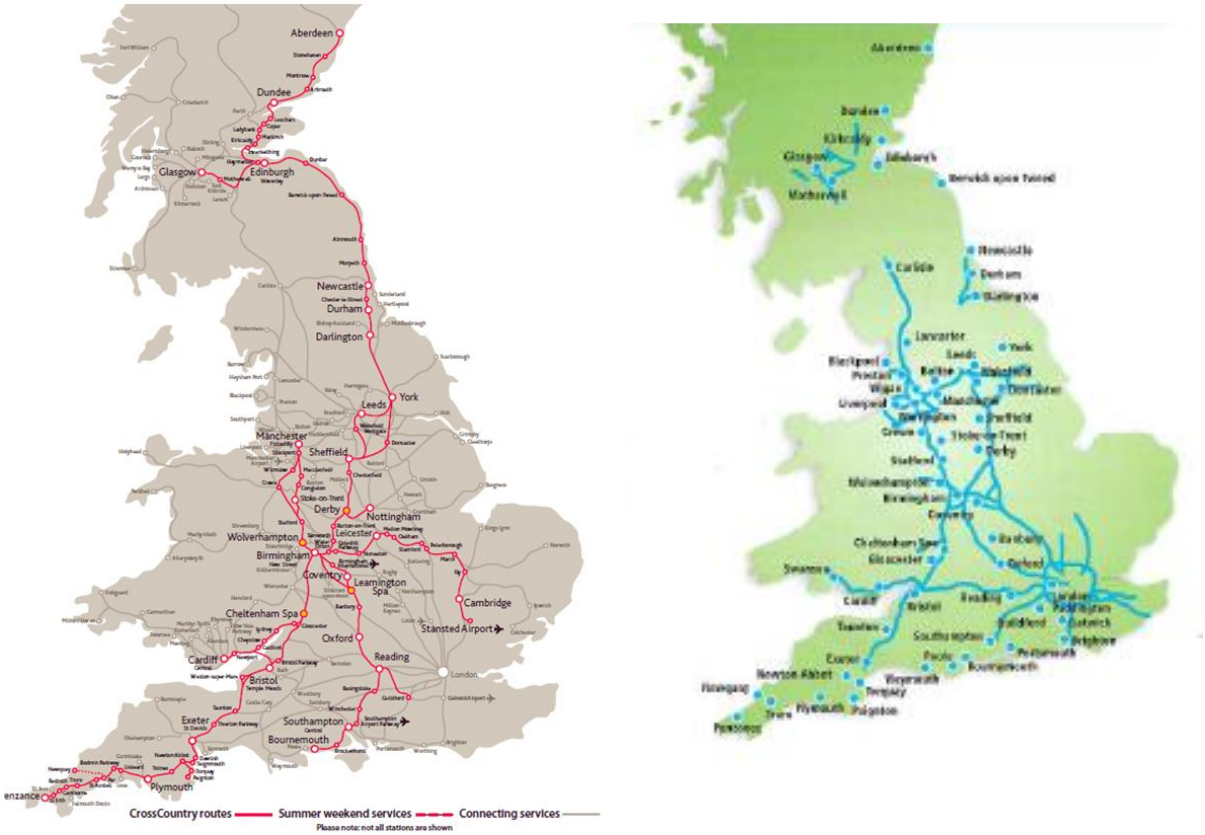

Figure 1: Maps of the XCTL routes and motorways that compete with them (M6, M1, A1(M), M5, M4, M40)

3. XCTL also competes more directly with air than other passenger operators. Regional airlines such as Flybe (operating services between Edinburgh and Birmingham, and Newcastle and Exeter) and easyJet (operating services between Newcastle and Bristol) operate between several key nodes on XCTL's network. All these airports are classed as regional airports[2]. This contrasts with other long distance operators who, in the main, compete with London-based airports. Regional airports have lower charges for the airline, owing to their lower accessibility and reflecting the fact that they do not serve the English capital. This means that both door to door journey times and price remain competitive with rail, in a way they do not for journeys to London. It is possible to obtain comparator pricing fairly swiftly online using tools such as Skyscanner and National Rail Enquiries.
4. The average speed between competing rail options also puts XCTL at a disadvantage. For example, the average speed of a XCTL service between Derby and Newcastle is significantly slower than a VTEC service between Peterborough and Newcastle in the current timetable. Although the VTEC 'semi-fast' London services to Newcastle have one more station call and travel 25 miles further they are 12.3mph faster, on average, than XCTL.

Journey Time Protection has only been requested where XCTL is concerned that journey times are at risk during the supported one year's duration of the protection, owing to existing infrastructure capability and the journey time implications of competing services. In light of the multiple points of competition that XCTL faces, more so than other operators, it does not wish to see the current position deteriorate ahead of planned service and network improvements in 2018.

NR understands that having journey time protection for this duration reassures XCTL commercially and is content that this protection does not prejudice NR's ability to optimise the timetable in the

[2] http://researchbriefings.files.parliament.uk/documents/SN00323/SN00323.pdf

required manner, in accordance with ORR's *Criteria and Procedures* Section 8.101. This is consistent with NR's Sale of Access Rights Policy.

Interval Protection

Many of XCTL's services are prone to overcrowding, including at Birmingham New Street[3]. Providing interval protection minimises the risk of uneven timetables exacerbating crowding problems on specific trains. Interval protection also impacts on the journey time issues discussed above. The justification that NR accepted for interval protection falls into the following categories:

1. The availability and characteristics of XCTL's rolling stock is highly constrained. The ratio of volume of crowding experienced compared to the formation of rolling stock available contrasts starkly with other operators covering similar distances. In this instance XCTL uses Class 170 units, which cannot be operated on the routes in question in longer than 6 car formation and, owing to the length of route served, all units must be out on the network all day to provide a full service – the size of the fleet XCTL has available means that other permutations (such as spare units to 'step up' during known peaks) would lead to a reduction in service. The ability for CrossCountry to tailor rolling stock diagrams to match supply of seats to demand is exceptionally limited when compared with other operators and further constrained by;
2. XCTL's passenger profile. As described earlier in the letter, XCTL does not have defined peaks in passenger loading in the traditional sense and must provide a more evenly spread number of seats across the day in a number of distant locations;
3. The impact on value of Generalised Journey Time from a more evenly spread service, particularly when considering Birmingham as a major hub station. Irregular service intervals are likely to affect perception of customers such that they believe the service interval to be worse than is actually provided. For example, the service interval between Leicester and Birmingham is two trains per hour but if it operated in an hourly batch of two trains ten minutes apart, passengers would gravitate to the optimal train – worsening crowding – and perceive the service to be hourly rather than half hourly;
4. The combination of all of the above results in a need to keep passengers steadily moving, managing the flow in as controlled a manner as possible, including onto other operators' services.

We hope this provides a clearer understanding of XCTL's case and the reasons why NR has chosen to support its application for specific rights. Any one of these reasons by itself would not necessarily demonstrate why XCTL is unique and has a demonstrable need for specific rights, but NR believes that the sum of all the evidence provided does demonstrate this and so has chosen to support specific rights in this instance.

Yours sincerely,

Tamzin Cloke
Head of Track Access and Possession Strategy (XCTL)

Lee Tuttle
CrossCountry Performance and Relationship Manager (NRIL)

[3] Further details in Appendix 1