

John Larkinson
Director Economic Regulation and
Consumers
Office of Rail & Road
One Kemble Street
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WC2B 4AN

8 February 2016

Dear John,

ECTL Open Access Application – Feedback on CH2MHILL Final Report and Systra Audit

We welcome the transparent approach ORR has adopted to the evaluation and throughout the process we have appreciated the opportunities provided by ORR to discuss, and provide feedback on, the approach to the assessment of the ECTL open access application.

This letter provides feedback on the most recent documents provided by ORR:

- Assessment of Applications for Track Access on the East Coast Main Line: Phase 2 Final Report (CH2MHILL, 15 Jan 2016);
- ORR technical note to accompany CH2M ECML report (ORR, 18 Jan 2016);
- Revenue and Demand Modelling Audit (Systra, 26 Jan 2016);

Some of the elements raised in response to these recent documents are related to previous points presented to ORR. It is not our intention to repeat previous correspondence, rather, our focus is on the issues where we feel there is an important point to clarify, or new information to present. Given this approach we believe it is important to consider our previous letter to ORR (on the CH2MHILL methodology) alongside this response:

ECTL Open Access Application: Review of CH2MHILL Interim Methodology Report (Arup, 12 Nov 2015).

Turning to the comments we have on the recent documents issued by ORR:

1. Seating capacity of ECTL services

Systra (and SDG in their analysis on behalf of DfT) have suggested that ECTL trains will have a higher seating density than similar trains on the East Coast MainLine. Based on this inaccurate assumption both have suggested that ECTL services will have higher crowding penalties for a given load factor (i.e. an inferior passenger experience). In their report Systra recommended the application of

an In Vehicle Time (IVT) penalty for ECTL services, which is a recommendation they have picked up from SDG's work. This issue was discussed at length during our meeting with ORR on the 3rd of February at which we shared more detail supporting the position within our business plan. Our proposed trains are of a similar design to those for the Intercity Express Programme that will be deployed by Virgin Trains East Coast, including the seating layout in standard class carriages.

Given the planned seating density of our services (relative to other ECML operators) we believe it would be inappropriate to apply an In Vehicle Time (IVT) penalty to ECTL services. In addition we would also comment that the source of the proposed IVT penalty is wholly based on a study into commuter services, where passengers have a fundamentally different set of preferences and valuation of different seating layouts as compared to those travelling longer distances.

2. Crowding penalties

CH2MHILL's crowding model applies PDFH crowding penalties from PDFH 5.1. It is likely that adopting this approach to modelling crowding for ECTL services will lead to an overestimate of crowding-off on busy services. The crowding recommendations in PDFH have been derived based on Stated Preference research completed in the UK. As such they have been designed for application to conventional services where reservations are not compulsory and standing is allowed.

Our business model means virtually all customers will purchase a ticket that includes a seat reservation. This approach is supported by the innovative range of reservation and yield management system investments that we will be making, as detailed within our Business Plan and as outlined at our meeting on 3rd of February.

The penalties that have been applied are therefore not appropriate in the case of ECTL services.

3. ECTL 05:30 Service

We note the comments with regard to our proposed early morning departure from London to Edinburgh calling at Stevenage. We also note that ORR has stated that it intends to test the sensitivity of CH2M's results to the assumed levels of passenger boarding at Kings Cross on the 05:30 service.

However, we would point out that whilst access costs are higher at this time in the morning (as the London Underground is not in operation), it is also the case that access times will be lower as there is less traffic. Furthermore the service calls at Stevenage which given its location between Luton and Stansted airports (both have flights at this time to Edinburgh) will attract additional customers.

4. Coach Market

The core methodology used by CH2MHILL has not modelled the coach market directly, which is acknowledged in section 4.8.2 of their report. This means that the

results understate the associated benefits of our proposal, as PDFH is only suitable for estimating changes of +/- 10% and our proposition is outside this range. As explained in our previous correspondence we firmly believe it is necessary to model the coach market directly in order to take account of the step change in the rail offer that would exist if ECTL services were running.

ORR has stated it will conduct a sensitivity test on coach modal switch and in our meeting on the 3rd February ORR confirmed that the intention was to consider the potential upside (relative to the CH2MHILL forecasts) in generation from established coach markets. We support the application of this test to understand the potential scale of mode switching from long distance coach operators.

At our meeting on we shared further details with ORR of the impact on the coach market which we understand will be taken into account in the sensitivity test. At the meeting we also specifically addressed concerns relating to potential double counts of benefits of using a bespoke modelling approach.

5. Systra Audit

We welcome the independent review completed by Systra which confirms that the modelling suite developed by CH2MHILL is fit for purpose.

Once again, we appreciate the opportunity to comment on the approach to assessing applications. We hope that, in finalising your assessment, you will consider the above points and to the extent it is useful we would welcome the opportunity to engage further on these points.

If you would like to discuss any elements of our response in more detail, we are available to meet with you as required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Russell Evans', with a long horizontal flourish extending to the right.

Russell Evans
Policy & Planning Director, FirstGroup Rail Division