



Department for Transport

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Dear Rachel,

Alliance Rail Holdings Section 17 Proposal – Rights for an hourly fast service between London and Edinburgh calling at Newcastle Only

Thank you for the opportunity to comment on Alliance Rail's application.

The Government values the benefits of competition that open access can bring, such as greater choice and lower fares for some passengers. However, these benefits must be set against the need to reduce the overall cost of the railway to taxpayers. Open access operators are only charged marginal track access costs compared to franchised service operators who are charged full track access charges. This means that open access operators are effectively being subsidised by passengers on franchised services which are paying full track access charges to support the maintenance and operation of the network. Furthermore, where franchise bidders perceive a risk of open access competition undercutting them on costs they are likely to offer much lower bids. This detrimentally impacts on the taxpayer's interest by putting further pressure on fares and making it harder to deliver the rail upgrades that passengers want. Given the UK's financial position, Government does not therefore at this stage support an increase in open access competition.

In this case, the Department has an interest in the potential implications of the proposed services for the operational performance and cost of franchised rail services, and for the delivery of the benefits of the Department's Rail Investment Strategy.

It is clear that limited stop services such as the structure being proposed here would need to pass several slower services including freight traffic during the course of their journeys.

Since the route is predominantly two-track, with only limited stretches of four track sections with few loops, it seems likely that there could be some detrimental impact on

both the journey times and performance of the trains, including franchised services, that the proposed Alliance Rail service would overtake.

The Department is aware that the ORR has set demanding regulatory targets for the East Coast route for both PPM and CaSL for Control Period 5.

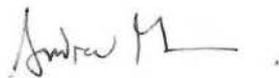
In order to make an assessment of the likely impact on other services (both passenger and freight) we would need to see a specimen timetable. Such a timetable need not be a 'fully validated' working timetable, but should be detailed enough to enable an assessment to be made of the impact of the proposed Alliance Rail limited stop service on other services.

The Department would be grateful if such a document could be made available.

As you will no doubt be aware, the Department has recently concluded a deal with Agility Trains for a new fleet of InterCity Express Trains for use on the East Coast Main Line (ECML). Delivering the full benefits of this significant investment will require the future InterCity East Coast operator to deliver an additional train per hour from London King's Cross. We welcome assurance from ORR, Network Rail and the applicant that returns on the investment made by Taxpayers in these new trains, and in CP5 infrastructure enhancements, would not be jeopardised by the approval of this application. We would find it helpful to see the analysis which supports that position.

Therefore, the Department will be asking the ORR to pay particular regard in its final determination on the impact of both operational and performance risk and on the funds available to the Secretary of State also the potential impact on the funding of other parts of the railways if the proposals were to be implemented.

Yours sincerely,



Andrew Murray

Copy to: Brian Hopkinson
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