Whole Industry Strategic Plan for rail: Call for Evidence

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Date Submitted: 11th February 2022

Introduction

1. London First is a business campaigning group with a mission to make London the best city in the world to do business, for the benefit of the whole UK. We convene and mobilise business leaders to tackle the key challenges facing our capital. We are made up of 180 leading employers across a wide range of sectors, including strong representation from the transport sector.

2. We welcome the Government's desire to improve the rail network across the United Kingdom and the opportunity to contribute to the call for evidence on the Whole Industry Strategic Plan (WISP). Rail services can boost productivity, growth, and job creation. Connecting the UK's cities and connecting those cities to the wider regions in which they sit, helps to create efficiencies and agglomeration benefits that support the national economy. The railways are also a fundamental part of the path to net zero and a levelled-up United Kingdom. But this can only be done if they meet customers' needs and are fair to the taxpayer by operating and investing in a financially responsible manner.

Strategic Objectives

3. We support the five strategic objectives outlined in the WISP. London - and the rail services in and around London - can provide significant expertise and best practice lessons to Great British Railways (GBR) and, as the start and/or end point of 63 per cent of national rail journeys, must form a substantial part of any successful strategic plan.

4. London has three primary sources of expertise that should be built into the WISP from the start. The first is Transport for London (TfL), which is responsible for many of the rail services within the capital and beyond. Few transport authorities have more successfully transformed the passenger experience in recent decades whilst delivering (pre-pandemic) financial sustainability and wider growth and environmental benefits to the city. The second are the train operating companies (TOCs) that run services in and out of the capital. Passenger

numbers on the railways have doubled since privatisation and few if any other organisations understand passenger behaviour better than the TOCs. Third, as the home to leading global companies, the business community in the capital has the knowledge, international experience, and capacity to innovate that should welcomed within GBR. We would like to see strong indications in the WISP of the value of, and mechanisms for, accessing and embedding this expertise in GBR. This will require openness and collaboration with organisations across the public and private sectors.

5. When assessing these strategic objectives, and the trade-offs that will need to be made between them, it is important to recognise the high degrees of uncertainty in multiple trends that will shape what the railway is now and what it needs to be. This is at present unusually true on the short-term time horizon. But across all the time horizons under consideration, there is significant scope to shape outcomes and the extent to which these proactive choices are made will have a significant bearing upon whether the strategic objectives – and other important government policy – is met. For example, prematurely cutting services whilst the economy is still recovering from the pandemic is short-sighted and will constrain the return to growth, as passengers find public transport to be a limiting factor in their return to activities that have been on hold for the last two years, and which generate significant economic returns for the UK. The WISP should be clear that undoing progress on modal shift to public and sustainable forms of transport will make it less likely that the UK will improve its productivity, hit its net zero targets, or achieve levelling up. The WISP should provide clarity with ambitious passenger growth targets for the industry.

Meeting customers' needs

6. From a customer perspective, there are essentially two different rail systems in the UK. The first is the long-distance intercity network. The second is made up of the commuter networks in and around major urban centres. These two systems share infrastructure but can have very different passenger demands. GBR is an opportunity to streamline some of the interfaces between these two systems but the impact of HS2 cannot be understated, as the new railway will provide a step-change in the capacity of both systems and a greater ability to segregate local and long-distance traffic. Likewise, the impact of the cancellation of the eastern leg of HS2 will severely limit the opportunities to separate these two systems and deliver better passenger outcomes. The decisions outlined in the Integrated Plan for Rail should be kept under review and the route of the eastern leg of HS2 must remain safeguarded.

7. Commuter rail is central to the success of London. According to the Office of Rail and Road, in 2019-20 London had the highest number of total journeys of any UK region, recording 940 million passenger journeys pre-pandemic. Of these, 406 million were to or from other regions, with around 85% of these journeys being made to/from the Southeast or the East of England. These connections often double up as vital surface access links to the airports which serve as the front door for tourists and businesses visiting the UK and contributing economically to all regions and sectors of the economy.

8. Ensuring London's rail is adequately funded, staffed, and regularly modernised is pivotal to ensuring both the economic success of the UK and a smooth and reliable national rail network. The impact of the pandemic on London's rail has been significant. At the height of the pandemic, passenger numbers were down 90% and this has created a significant degree of uncertainty about future service levels. This applies to both services run by TfL and those of the national rail network, but the former are faced with the additional uncertainty that results from the short-term and heavily-conditioned funding deals that have been provided to TfL so far. Ensuring that there is a sustainable long-term deal that avoids significant and/or premature service cuts, as well as allowing TfL to invest in the maintenance and future of these services remains critical to meeting customers' needs in the capital.

9. Patterns of rail demand have changed as a result of the pandemic and will continue to change as life slowly returns to normal. This will be a process that is likely to continue at least for the duration of the short-term time horizon being considered by the WISP. Rail services will need to be responsive in order to avoid unintended economic, environmental, or social consequences. In addition to the question of funding for services, a key lever for flexibility and responsiveness should be the fares and ticketing system. This, however, remains underutilised due to both regulation and complexity. There is a risk that removing the revenue incentive from private operators will exacerbate rather than address these challenges, but the primary solution should lie in comprehensive reform of the rail-fares structure to provide simplicity for customers and restore trust in pricing. Single-leg ticketing remains a compelling avenue to pursue, but the mechanism is less important than the passenger-centric objectives which should be built into the WISP and prioritised despite the difficult political trade-offs that achieving them will inevitably entail.

10. With or without comprehensive fares reform, greater integration and modernisation of the ticketing system is essential. The aspiration for "London-style" ticketing technology in other large cities is very positive, but the strategy for national level integration remains unclear. The commitment to delivering around 233 station infrastructure upgrades in and around London to expand the reach of contactless technology is welcome and should be seen as the next step (not the final step) in broadening this network across the wider south-east. There is a risk that the development of multiple regional back-office functions prevents the simple, seamless, and unified customer experience to which the Williams-Shapps Plan for Rail aspires. This will require an appreciation of – and close collaboration with – the systems and providers that already exist and are working well (for instance, that which operates on the TfL network) when developing new ones.

11. We welcome the clear statement that not all rail customers are passengers. The WISP should give due regard and prominence to rail freight, and help to facilitate a comprehensive multi-modal freight strategy to support the transport decarbonisation plan. We encourage GBR to engage early with freight operators across all modes as well as with those responsible for the operations and infrastructure of non-rail freight and deliveries assets. This includes the aviation and maritime sectors. The WISP should set out a clear plan for improving rail integration with ports and airports, as well as local road and river networks – including the River Thames. The combination of technology, congestion, consumer behaviour, and environmental pressures is resulting in a significant shift in urban logistics. The WISP should

outline how the rail industry will be a leader in this space providing integrated solutions, as well as commitment and funding to innovate in order to increase efficiency and minimise costs that can accrue through "double-handling" of goods. Solutions that should be explored in detail include micro consolidation hubs (which can provide a five-fold increase in delivery efficiency) and click and collect lockers (a London First survey undertaken with Survation found most Londoners said they would use more if it reduced the impact on air pollution and climate change).[1]

Delivering financial sustainability

12. The Rail Delivery Group has estimated that a 1 per cent reduction in costs and a 1 per cent increase in passengers would result in a £300 million saving for government; both sides of the cost and revenue equation will be critical to delivering financial sustainability. But it is important that the WISP is clear about what is meant by financial sustainability and on what timescales. There is a short to medium-term period during which the triple needs of post-pandemic recovery, investing to level up the country, and transitioning to net zero will require either significant additional investment or compromise on the targets themselves. The latter would be short-sighted. In 2021, London First's work drawing on analysis by Bain & Company found that a series of recovery measures – including maintaining TfL service levels, as well as providing a targeted and time limited discount on rail fares to incentivise commuters to return to London – would only need to mitigate 5 per cent of the economic impact of a "severe headwinds" recovery scenario to break even[2]. It is this sort of short-term investment for long term economic gains that should be pursued through the WISP and built into the DNA of GBR.

13. The risk is that the reduction in passenger numbers that has been experienced during the pandemic and has resulted in lower revenues, leads to cuts to services and investments, which in turn makes them less appealing, leading to permanently lower passenger numbers and a cycle of decline in which passenger numbers, revenues, and services are all falling. Until the settled patterns of future transport demand are clear, service levels should as far as possible be maintained especially on metro-style services given the evidence from the United States that a 4 per cent reduction in metro services would yield at most a 1 per cent reduction in operating costs due to the high fixed costs of these networks. The cycle of decline[3] that could be catalysed is not a hypothetical risk. When New York suburbanised in the 1970s, this is what happened. Rather than enabling the public transport that was now required, the private car was relied upon to facilitate these new patterns of mobility. Arguably, the city's public transport has never fully recovered – not just from the service cuts, but from the cuts to renewals across the network which has led to chronic difficulties in maintaining a state of good repair. To allow history to repeat itself on this side of the Atlantic would undermine the immediate economic recovery, the UK's medium-term net zero targets, and our long-term global competitiveness.

14. This is not to say that the status quo should persist. London First has argued extensively that with more than 70 per cent of its revenue coming from passengers – more than twice the level of comparable global cities like New York and Paris – the funding model that TfL had going into the pandemic is not fit for purpose in a post-pandemic world and that the "traditional levers" that have been relied upon will be insufficient to close the gap.[4] On rail

services in and around the capital, innovation will be required in funding models (especially when it comes to new capital investments) but also in terms of the passenger experience in order to ensure that the railways grow their way to financial sustainability, rather than pursue a futile strategy of cutting to match short-term revenues. This is important from a transport policy perspective, but it is critical from the perspective of levelling up and achieving net zero.

15. Navigating the upheaval and uncertainty of the coming years will not be easy and no one organisation will be able to achieve it alone. The best way for GBR and the Integrated Rail Plan (IRP) to succeed will be to work transparently and collaboratively with the private sector. This requires early engagement and willingness to recognise the significant commercial and operational expertise from the last three decades of the UK's railways, as well as international best practice. Structures to enable this must be built in from the beginning of the process. The strategic aims of GBR are to be welcomed, but the risk of recreating an overly centralised British Rail 2.0 must be guarded against.

16. Stability of funding will be critical if all parties are to effectively support the strategic objectives of GBR and, in particular, the objective of financial sustainability. Funding stability is a prerequisite for projects to be delivered efficiently and effectively. For instance, while we welcome the recent pledge from the Government to spend £96 billion on the railways, there needs to be greater transparency about how this money will be delivered, including the extent to which this relies on savings within the industry. We are concerned about the achievability of these savings targets and the potential impact not only on the delivery of the projects, but the consequent impact on the UK's net-zero and levelling up ambitions. The rail industry needs transparency over policy and funding, allowing it to reach its full potential over all indicated time frames.

Contribution of rail to long term economy

17. Rail has been a fundamental part of London’s success since the Victorian era. It has been one of the factors that has enabled London to become a major driver of economic growth across the UK. Pre-pandemic the capital contributed nearly one quarter of the UK’s gross domestic product, despite accounting for less than one in eight of the national population. Every year, Londoners contribute a net surplus of £4,350 per capita to the Treasury and the only two other regions with a positive net fiscal balance per person are the South East and the East of England. This remarkable economic output is enabled by the extreme agglomeration that is supported by – amongst other things – the rail network in and around the capital. It enables higher levels of productivity and growth. This is evident from research conducted by Oxford Economics for the Railway Industry Association which found that for every £1 of work on the railway network itself, a further £2.50 was generated in other industries.[5] It is worth noting that the South East and the East of England are the two regions whose economies are most deeply entwined with that of the capital; they are the second and third highest users of rail (after London); and they are the regions where rail usage is most heavily weighted to inter-regional travel (largely driven by travel in and out of the capital). The correlation could not be clearer.

18. While this could be taken as evidence that the situation in and around the capital is good, it cannot be taken for granted. Dense urban environments are difficult places in which to deal with capacity constraints – particularly on the surface. This means that rail will need to take a leading role in addressing the congestion which currently cripples London's road network and acts as a drag on productivity and economic activity. Drivers in the capital lose an average of 144 hours per year – equivalent to 18 working days – to congestion. That wasted time combined with delays to businesses delivering goods and providing services comes at a real economic cost, estimated at £5.1 billion annually. Similarly, unlocking new areas for development and housing growth relies on transport connections. From the original commuter belt supported by the London and Metropolitan Railway in the nineteenth century, through the post-war New Towns and the Docklands in the 1980s and 1990s, to the investment in Nine Elms and around Battersea Power Station with the arrival of the Northern Line extension, rail can unlock growth, investment, and housing – the last of which remains an acute and perennial challenge in the capital. The WISP should build on existing collaboration with local agencies and authorities to ensure that rail development plans are better integrated with local and regional spatial plans and actively support housing development and inward investment strategies.

19. In addition to its role in supporting economic activity, the rail industry is also a driver of jobs and growth itself. According to the same 2021 report produced by Oxford Economics for the Railway Industry Association, £42.9 billion of GVA was supported by the railway sector in 2019, along with 710,000 jobs – more than the entire population of the UK's second city, Birmingham. These jobs were higher than average in terms of productivity and wages across all regions of the country. In London, the figures were £14 billion of GVA and 158,000 jobs. The UK's expertise in all aspects of the rail supply chain and operations is a high value - and highly exportable – industry that, with the right support, has the potential to contribute more to levelling up and the Government's Global Britain agenda.

Levelling up and connectivity

20. We strongly support investment in infrastructure outside London, because investment in improving local services is not a zero-sum equation. Levelling up in the Midlands and the North benefits London, just as investments in the capital benefit the rest of the UK. As a geographically small island nation with interdependent supply chains and labour markets, London is not in competition with other UK cities. But London is in direct competition with the likes of New York and Paris, and in an international and interconnected economy, the UK's towns and cities will level up or level down together. Additionally, the benefits of investment are not limited to the headline geographical locations. For example, the investment in new rolling stock for the London Underground has resulted in a new factory being built in Yorkshire and for every £1 spent by TfL, 55p was spent outside the capital.

21. The rail network is complex, and changes to plans in the North of England can have significant consequences for London termini. For example, the IRP recognises this in relation to HS2 and Euston. While single-phase construction at the station will ease disruption, both the delayed timetable (completion is now expected in 2035) and lack of resolution to the connection with HS1 are disappointing for the capital. More broadly, it is clear that the IRP

represents a reduction in connectivity, capacity, and productivity gains compared to the commitments made before its publication. This is primarily due to the cancellation of the eastern leg of HS2. The UK's high-speed rail spine will now only run between London, the West Midlands and the North West. While this will help to overcome the north-south divide, it is likely to create a new east-west divide, with half the country being left to make do with Victorian infrastructure. The promised upgrades are likely to be hugely disruptive, delivered to a similar timeline to the original plans, but delivering less in terms of connectivity and capacity.

22. A confluence of factors, not least of which is the impact of the pandemic, has led to a similar, and significant, scaling back of investment plans across the TfL network. This is concerning for London's long-term growth prospects, particularly when the GLA is still forecasting substantial population growth in the medium to long term, with a central case seeing an increase from around 9 million people today to 11 million by 2050[6]. The development of important projects including the upgrading of rolling stock and signalling systems, the extension of the Bakerloo Line, taking the DLR to Thamesmead, and Crossrail 2 have been paused. The short-term shock of the pandemic should not be allowed to prevent long-term planning and we welcome the TfL Commissioner's verbal commitment to these projects in the long-term. The WISP should recognise the importance of these investments – particularly those that have interfaces with national rail network, such as Crossrail 2 which will be necessary to relieve the overcrowding pressures at Euston once HS2 is operational. GBR should consider how it can provide greater certainty to long-term investments and ensure that they continue to be developed even in the case of short-term economic shocks.

23. These investments in the capital remain important because there are many areas of the greater London region that remain poorly connected and in need of levelling up. London's poverty rate is six percentage points higher than the national average of 22 per cent, and the highest proportion of Universal Credit claimants in the UK. Average disposable incomes in London are no higher than the national average once housing costs have been accounted for. London remains the region with the highest rates of unemployment and the capital was hardest hit by the pandemic with the highest rates of furlough payments due to the economic dynamics in the city. And there are significant disparities within London, both in terms of geography and demographics. Barking and Dagenham, for instance, ranks fourth out of 317 local authorities for the proportion of its population affected by low income and in the top fifty for unemployment and a lack of education and skills. Whilst the Trust for London reported that more than 1 in 3 black male graduates were unemployed in early 2021 compared to fewer than 1 in 12 white male graduates. Levelling up cannot ignore the places and people in need of investment, regardless of where in the country they are found.

24. London's role in levelling up is not limited to the people who live in the capital. The city is also the front door to the UK and we would welcome a commitment to thinking more creatively and strategically about the role of rail in dispersing international visitors to the UK, be they tourists or those on business. London remains the primary entry point to the UK, accounting for 53% of international trips in 2019, and the third most important reason that tourists visit the country according to Visit Britain research.[7] Those visitors who leave London to visit other parts of the country contribute £641 million to local economies outside the

capital[8] but compared to many European countries the cost for a family on holiday in the capital to take a spontaneous intercity trip is often prohibitively high. GBR must engage with tourism and inward investment agencies to develop a clear and integrated plan to enable a greater number of international visitors to London to also visit other places in the UK.

25. Additionally, there remains a need for greater integration of investment planning and delivery. There are significant savings to be made from a properly planned pipeline of infrastructure investment. The IRP has little to say about how the projects it contains will interact with other Network Rail investments, let alone the investments being made by other transport providers (such as TfL) or the wider infrastructure sector. A proper, stable, pipeline can stimulate additional investment in secondary industries and facilities, not to mention in the training and skills development of the people who deliver these projects. There is a serious risk of labour shortages in critical parts of the rail investment timeline if projects are not part of a coherent pipeline for which businesses and skills providers can plan. As the location for some significant recent investments in this sector, London can play a role in supporting the development of the UK rail network, but there needs to be a plan to enable this. Adequately funding devolved bodies such as TfL, and creating the structures for serious engagement and integrated planning between these bodies and national organisations such as Network Rail and Great British Railways (GBR) is, at minimum, necessary to achieve this.

Delivering environmental sustainability

26. The WISP needs to set out clearly how it will support the UK to meet or exceed the Climate Change Committee recommendation that between 9 and 12 per cent of car mileage must shift to public or active transport by 2035 (rising to 17 per cent by 2050) in order to meet our environmental commitments. As the most sustainable mode of mass transport, accounting for just 1 per cent of emissions, rail has a significant role to play. And with 22 per cent of UK carbon emissions coming from the wider transport sector, decarbonising the ways in which we move around is a one of the most urgent challenges.

27. In London, many of the easy wins have already been grasped (in no small part thanks to the advantage of historic investment in the underground network). The city is much more reliant on public transport than the rest of the country. As a result, London is a rail success story. For example, 49% of commuters usually travel to work by public transport, while only 3 in 10 Londoners drive to work – less than half the rate of any other region in the UK. The Mayor has ambitious targets to ensure that 80 per cent of journeys are taken by active and public modes of transport by 2041, and has recently announced the need to reduce vehicle kilometres on London's roads by 27 per cent by the end of the decade if London is to hit its net zero targets. Ensuring that GBR engages early with the GLA and with TfL to understand its role in supporting the delivery of these targets will be critical to both the capital and the country achieving net zero, as well as cleaning up the air pollution that is estimated to cut short the lives of 4,000 Londoners every year.

28. Likewise, at a national level, there is no need to reinvent the wheel. The government's Transport Decarbonisation Plan provides a sound basis from which to move forward. The challenge is ensuring that it is adequately funded and that the plans are in place to deliver it.

The WISP must tackle this head on. Getting it right is likely to require a fuller assessment of the societal and environmental impacts of various modes of transport in order to rebalance the costs.