

Neil Scales
Chief Executive
Merseytravel
24 Hatton Garden
Liverpool
L3 2AN

6 December 2011

Dear Neil,

Alliance Rail Holdings (Alliance) Section 17 and Section 18 Applications: Great North Western Railway (GNWR).

Thank you for your response dated 16th September to consultation on Alliance's track access applications.

Alliance received a significant number of responses to its recent consultation for WCML access rights, including your own. This letter addresses the specific points you made. We have now written to all consultation respondents in a similar manner.

At the industry stakeholder meeting held in York on 18 August, and in the written responses that followed, a number of people felt it was difficult to understand the reasons for Alliance's applications being split, with one to be made under Section 18 of the Railways Act and one under Section 17. In view of those comments and Alliance's further work with Network Rail we have decided that the formal submission to the ORR will be made as one Section 17 application. This means that there is no longer any interdependence between applications and that issues raised separately during consultation have been consolidated into a single list.

Consultation procedure

I was very concerned to read your comment that Merseytravel had not been included in the formal consultation on these proposals. On receipt of your letter, I immediately checked the details of the distribution list, both for the Section 17 and Section 18 consultations, in case there had been an administrative error.

Both documents had been delivered by e-mail and an automatic 'out of office' response was received. If you still claim that you never received these documents directly, I would urge you to contact your IT department to resolve this discrepancy.

You also claim that you were not invited to the industry stakeholder meeting held in York on 18th August 2011. This is untrue. In fact we received a response on 1st August 2011 on your behalf from Carol McClane declining the invitation. So it is very clear that by 1st August 2011 you knew something of our proposals. In that case, why did you not respond immediately asking for sight of the formal consultation documents and for an extension to the response deadline?

Finally, we received from one of your staff a document from the pressure group West Coast Rail 250, who was not included in the list of consultees. It is unclear if Merseytravel endorses the views expressed in that group's response.

I am confident that Alliance has followed the established consultation procedure for track access proposals.

Route Utilisation Strategies (RUS)

In your letter, you express disappointment that Alliance's applications do not include additional services to/from Liverpool. Alliance would be happy to discuss your aspirations. However, I do not recognise the WCML RUS recommendations to which you refer.

'Gap RL9: Poor frequency of services between London and Liverpool' was addressed and considered by the RUS team, of which Alliance was a part. However, the solution of operating an additional hourly off-peak service to Liverpool had a weaker business case than that to other destinations in the North West, so was not recommended. The only recommendation for an additional service to Liverpool was the possible extension of a diverted London Midland train. Alliance would be unable to provide, or compete directly with, this service without being highly abstractive of revenue.

You suggest in your letter that implementation of the full Northern Hub service package is a recommendation of the Northern RUS. I'm afraid you have misinterpreted the RUS. The RUS makes it quite clear that the Northern Hub project facilitates but does not include, the additional services that you refer to.

The Northern RUS (page 5) also makes it clear that "*... though the funding for this (Phase 1) infrastructure is committed subject to planning consents being obtained, apart from changes to north cross-Pennine trains the consequent service patterns have yet to be decided.*" In fact it is the Northern Hub project that will develop a new timetable taking account of the RUS recommendations for individual service groups.

Northern Hub

Alliance has worked closely with Network Rail on this scheme and has kept the Northern Hub team informed of its plans.

As noted above, the Northern Hub is an infrastructure scheme that facilitates new services. This is consistent with the Manchester Hub Rail Study in which Network Rail makes clear that *'Our preferred option provides the capability for significant improvements to rail services across the North, including inter-regional, commuter and freight services'*. In other words, the Northern Hub project is about creating the capacity, rather than delivering the proposed service patterns.

Whilst the infrastructure upgrades to support the Northern Hub project are included in the Initial Industry Plan for Control Period 5, only phase 1 (Ordsall Chord) is currently funded. Despite suggestions from some respondents that the Northern Hub services are committed, this is not the case. Funding for new services, and rolling stock to resource them, is likely to be considered as part of the HLOS for CP5. Since most, if not all, of those services will require subsidy by the taxpayer, it is unclear if they will all be implemented. In fact Theresa Villiers has recently hinted that the Northern Hub may not be fully funded, which is hardly surprising in the current economic climate. Please note that Alliance will operate without taxpayer subsidy.

You also make the assumption in your comments about the Calder Valley that the proposed pattern of services once the Northern Hub infrastructure is delivered will be provided by franchised operators alone. There is no reason why Alliance should not provide one or more of these services.

Prejudicing future plans

Alliance has, to the best of its knowledge, taken account of all published plans and strategies in formulating its proposals. There are, however, a large number of rail projects and schemes in planning stage at the moment. Many of these are understandably confidential and details are not readily available to Alliance, even though they may be known and understood by Network Rail.

Alliance has therefore taken a deliberate decision to apply for quantum rights only to give Network Rail as much flexibility as possible in planning future services, including those recommended in the WCML and Northern RUSs and for the Northern Hub.

Open access operation

Alliance welcomes Merseytravel's support for the principle of 'open access' operation. We wholeheartedly agree that such operations can bring real benefits from innovative fares and service quality. You note, however, that open access has to form part of an overall package of services together with franchised services. I would be delighted to discuss this idea further with you to see how Alliance might fit in to such a package that would be of real benefit to Merseyside.

Rolling stock timescales

In suggesting that we originally planned to operate services at less than 125 mph I believe you are confusing Alliance with Grand Central. Alliance plans for the WCML have always been to operate at 125 mph (or more) with new rolling stock.

You are right to suggest that our timescales for delivery of newly-designed rolling stock are ambitious. However, Alliance is examining a number of different procurement options, at least one of which is based on trains that already operate on the network. In this case, we are confident that we could be operating services 2 years from placing an order.

In view of delays to our application and of the time we must allow for the ORR to reach a decision, we have put back our implementation date by 6 months. Alliance is confident that, depending on the rolling stock procurement option chosen, it could commence operations in the May 2014 timetable should a positive decision be made by the ORR.

Timing of the applications

You assert in your letter that our applications are premature and suggest 'there are alternative mechanisms in place by which such aspirations can be considered and assessed short of an application for firm track access rights'. I am at a loss to understand what mechanisms you refer to.

Unlike franchised operations, where any plans for new services are underwritten by the DfT or other public funder, open access operators have to secure access rights before they can justify appropriate investment to commence operations. It is not clear what other routes are available to us than seeking access rights supported by a sound business case and taking this to the ORR.

I would also point out that Alliance was encouraged by the ORR to make an application for its WCML proposals late in 2010, as were all other parties with aspirations to operate additional services on the route. As you know, relatively few applications were made and the majority of the proposals were refused by the ORR in March this year. To date, only Alliance had publicised its intention to revise and re-submit its application. However, since we went out to consultation in August, London Midland has also submitted an application for rights to run additional trains on the WCML. Is their application also premature?

The ORR has made it clear that any franchise bidder should have a clear view of what 'open access' services they may have to compete with before they submit their bids. Alliance agrees with this approach and intends to submit its applications so that the ORR has an opportunity to make its decision before the ICWC franchise bids must be submitted.

Alliance service patterns

I note that you would be happier with Alliance's applications if our trains were to call at Wigan North Western, thereby addressing the WCML RUS gaps regarding poor connectivity to the North West and faster trains to Glasgow. We did consider including Wigan in our proposed stopping pattern, but found this would put pressure on our services in relation to the ORR's 'not primarily abstractive' test (for revenue).

Our aim was to provide connectivity between Newton-le-Willows and Preston – hence the calls at Newton-le-Willows in some of our Blackpool or Carlisle services. If you are correct that it is difficult to identify paths through Newton-le-Willows – and I accept you might be – we may revert to running these services main line between Winwick Jn and Golborne Jn. We would still wish to call our Bradford services at Newton-le-Willows.

I note your comments about the need for a through service between Warrington and Leeds, though we understand that only 45 passengers a day in each direction travel between these two stations. Alliance will open up a new market with through services between Warrington and Bradford. With the planned improvements on the Chat Moss line, I do not believe that Alliance services would necessarily prejudice the introduction of a Leeds to Chester service, which is as yet unfunded. Alliance services will provide a two-hourly connection at Manchester Victoria for Leeds and stations in the North East. A Leeds to Chester service might operate in the alternate hours.

You comment on the paths available to Alliance on the Manchester-Huddersfield-Leeds route. Validated paths have been found on this route in the December 2011 timetable. Where additional services on the route have been proposed or recommended in a RUS, or as part of the Northern Hub service package, there is no reason why the service cannot be provided by Alliance rather than a franchised operator. In fact, Alliance's proposed stopping pattern for Leeds to Stalybridge, of Huddersfield and Dewsbury meets the criteria for a sixth path identified in the Northern RUS.

Station development

I understand your concern about the nature of Alliance's plans for Newton-le-Willows as a 'parkway' station. Funding for development of a car park at Newton-le-Willows has been included in our business plan. The actual source of the funds will either be from within our parent group or from the private sector.


I apologise that we did not arrange to discuss this with Merseytravel before going out to wider consultation with our plans, but discussions have taken place with Network Rail. I have now asked for a meeting with a member of your team to discuss this and await their response.

ORR priorities

It is not the ORR's role to 'give priority to the WCML and Northern RUS and Northern Hub study' as you suggest. You are right to identify them as studies. It is the role of funders to agree a service specification and fund the recommendations contained within these studies. It is then for train operators – franchised or otherwise – to apply for track access rights. The role of the ORR is to decide whether these rights should be granted. In the event of competing applications, the ORR must decide which affords best use of the infrastructure and whether there is a sound business case, having due regard to wider economic benefits.

A copy of your response and this letter will be made available to the ORR to accompany Alliance's application.

Yours sincerely,



Chris Hanks
Head of Development