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Dear Helen,

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

Thank you for your response dated 13th September to consultation on Alliance Rail'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.

I would also point out that we provided those who attended the industry stakeholder meeting in York on 18 August with a simplified rights table implied by the combined application, which made it clear what we are trying to achieve. Alliance believes this is less confusing than the approach taken by Northern which recently issued multiple proposed supplemental agreements out of sequence.

Reserving capacity

It is the nature of most track access contracts – including the Northern contract - that they effectively reserve capacity over a number of years. Alliance has well-founded proposals that need rolling stock investment, so cannot be operated until the new rolling stock is delivered. We note that a number of objections to our proposals, including from Northern, suggest that Alliance paths will conflict with strategic plans such as the Northern Hub. This is also about reserving capacity, but without any formal application for rights. There is now a formal process for reserving strategic paths, but this has not yet been used for the schemes referred to by consultation respondents. You will also no doubt be very aware of the Minister of State for Transport's recent announcement at your Northern Rail Summit that the Northern Hub as proposed is unlikely to be fully funded.

The ORR is best placed to make the judgment between these two competing views on reservation of capacity.

Validated timetable

Northern Rail objects that it is unable to assess accurately the impact on its own access rights and service patterns without further information regarding the flexing applied while validating Alliance paths.

Alliance re-iterates that the paths supplied so far identify the *capacity* that is currently available and that is expected still to be available in some form from December 2013. In developing this indicative timetable, Alliance has not exceeded the contractual flex that Northern agreed in its contract with Network Rail. Of course, if Northern believes that it does not have the necessary protection, then it can progress an application to amend its contract. In fact, in order to provide Network Rail with maximum flexibility in developing an amended timetable, Alliance is applying only for quantum rights, rather than the much more prescriptive rights that Northern enjoys until its franchise ends in 2014. Much of this was spelled out in the 'WCML Track Access Rights' consultation document supplied by Alliance as part of the consultation process.

The validation work does not necessarily represent the actual timetable for Alliance services. This will be confirmed only when:

- a) The rolling stock has been selected, confirming the timing characteristics and operating requirements, and

b) The relevant Event Steering Group(s) have determined whether there should be any other significant changes to the current timetable, both on and off the WCML.

Alliance expects to improve on the paths agreed so far by eliminating some pathing time and excessive dwell times by taking advantage of planned infrastructure interventions (e.g. electrification and headway improvements between Newton-le-Willows and Manchester Victoria, and electrification and line-speed improvements on the North Trans-Pennine route), and by negotiating suitable paths in any timetable re-cast.

Other operators' rights

Alliance notes that for a number of the WCML train operating companies (TOCs), both the franchise and corresponding access rights expire by the end of 2014. The ORR has indicated that any extensions of rights beyond December 2013 will be for quantum only. Therefore, regardless of Alliance's application, it is not possible to give assurances about continuing existing Northern services in precisely the same pattern.

As has been made clear, Alliance is applying for quantum rights only at this stage to fall in line with the requirements of other TOCs and the ORR's guidance.

Prejudicing future plans

Alliance has taken account of all published plans and strategies in formulating its proposals. There are, however, a large number of rail projects and schemes in the 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.

Northern Hub

Alliance has worked closely with Network Rail on this scheme and has kept the Northern Hub team informed of its plans. Network Rail makes clear in the Manchester Hub Rail Study, '*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.

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. The Minister's recent announcement regarding the affordability of the full scheme reinforces this view. Alliance will operate without taxpayer subsidy.

Rolling stock timescales

Following consultation, Alliance has reviewed its proposed date for the commencement of operations. Alliance is confident that, depending on the rolling stock procurement option chosen, it could commence operations during the May 2014 timetable should a positive decision be made by the ORR. However, timescales themselves are also driven by the timing of any decision.

Rolling stock reliability

Northern Rail was the only respondent to raise the issue of possible poor reliability of new rolling stock. Alliance notes the assumption that you have made regarding the proposed rolling stock being 'non-proven'. At least one of Alliance's options for rolling stock is proven and reliable.

Alliance has pointed out before that it is quite possible to introduce new rolling stock without significant problems. Hitachi's Class 395 sets are a good example as are TransPennine Express's Class 185s. Whilst Alliance takes the issue seriously, we do not believe it will be a barrier to implementation of the service.

Other respondents have welcomed the introduction of new inter-city standard rolling stock in the North of England. Alliance suspects Northern's lack of support is largely due to the fear of competition on the routes it operates.

I note your concern about the reliability of switching between electric and diesel operation. We will make sure this is addressed in detail in Alliance's operational contingency plans.

Route Utilisation Strategies (RUS)

Alliance wishes to point out that any services proposed in Network Rail's strategic plans such as RUSs are operator neutral. Many respondents clearly have still not grasped this point and believe that the incumbent franchise will automatically operate any new services.

You refer to the Northern RUS recommendation that there should be a fifth train each hour between Leeds and Manchester. In fact, it is the Yorkshire & Humber RUS that makes this recommendation. Although the recommendation is, on the face

of it, for an additional train all the way from Leeds to Manchester, the RUS makes it clear that the main requirement is to provide a service to/from Leeds calling at Dewsbury, Huddersfield and Stalybridge. This is precisely the stopping pattern proposed by Alliance. The Northern RUS supports this, and also recommends a further peak shuttle between Huddersfield and Leeds. Alliance's Euston to Leeds service could provide the required capacity on this route section, without the need for public sector investment in additional rolling stock that would only be required for the peak.

Limited capacity – various locations

Alliance notes that Northern Rail considers a number of locations to be 'extremely congested'. Currently, none of the routes over which Alliance proposes to operate has been declared as congested by Network Rail. Network Rail has agreed 31 weekday paths that conform to timetable planning rules and do not require any other trains to be flexed outside contractual rights.

You have identified the following locations and routes as being of particular concern:

- Heaton Norris
- Manchester Victoria
- Manchester Victoria to Bradford
- Ordsall Lane
- Preston
- Cumbrian Coast

Whilst not wishing to underestimate the difficulties of pathing trains at these locations, Alliance points out that Network Rail has been able to validate paths for Alliance on these routes. There is capacity for most of the day on the Calder Valley route, although the current timetable structure means that Alliance paths require a good deal of pathing time. We are aware that infrastructure interventions are planned to improve the track layout at the west end of Manchester Victoria, which should enhance capacity and performance here. We also understand there are plans, certainly after North West electrification is completed, to operate more trains through Victoria to Stalybridge or Rochdale, releasing valuable platform capacity. The Northern Hub proposals also include headway improvements on the Chat Moss route and through Ordsall Lane, and additional bay platforms at Victoria.

Alliance would be happy to discuss further with Northern Rail both these capacity issues, and its plans for Blackpool and Cumbrian Coast services.

Performance modelling

You expressed concern that no performance modelling had been carried out. As explained at the industry stakeholder meeting, Alliance and Network Rail agreed that it was inappropriate to model the additional paths before further development of the WCML timetable by the Event Steering Group (ESG). We expect that Network Rail will model the performance of any redeveloped timetable.

Alliance notes that London Midland's proposed application (October 2011) to operate additional trains on the WCML included the results of performance modelling that suggested the existing timetable planning rules could be relaxed without affecting performance significantly, indicating that yet more capacity could still be found on the WCML. Alliance also notes that other recent applications for additional trains or station calls have not included any performance analysis.

Revenue abstraction

The case against open access operators for their abstraction of revenue from franchised operators has been much debated within the industry, and tested in court. The ORR's 'not primarily abstractive' test, which ensures that any abstraction is outweighed by benefits, is now well-established. Alliance expects the ORR to apply the test to this application in the same way as all previous open access applications.

The Cumbrian Coast and taxpayer funding


We note that you believe that on the Cumbrian Coast line that our services will be "in effect subsidised by the UK taxpayer". Open access operations, which receive no funding from the taxpayer, bring a number of economic benefits to the British economy. These arise partly from lower fares, partly from better journey opportunities and also from direct and indirect jobs created. An element of competition also allows the Department for Transport (DfT) to loosen its specification for franchised services or to focus its subsidy on services that would otherwise be uneconomic. In any case, the MVA report (*Modelling the Impacts of Increased On-rail Competition Through Open Access Operation, July 2011*) that supports the ORR's recent consultation document on competition, suggests that it is possible for open access actually to increase premiums on long-distance routes.

By its own admission, Northern's revenue in relation to its costs on the Cumbrian Coast route is "disproportionately low, resulting in the need for significant subsidy". In that case, any abstraction is likely to have a minimal impact on taxpayer subsidy for the service. An increase in overall passenger usage - which is normally the effect of

new open access operators - could in fact see Northern's low revenues increased beyond the level of any perceived abstraction. I would also point out that potential revenue loss will be offset by significant station access charges that Alliance will pay Northern, a point you have conveniently overlooked.

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