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**Meeting:** Rail North Committee  
**Subject:** Operator's Business Plans  
**Author:** David Hoggarth, Head of Strategic Rail  
**Sponsor:** Darren Oldham, Rail and Road Director  
**Meeting Date:** Wednesday 7 June 2023

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**1. Purpose of the Report:**

- 1.1 To provide an overview of the process for shaping Northern and TPT train operator business plans for the next financial year (2024/25).
- 1.2 To agree Transport for the North strategic priorities for the train operator business plans for 2024/25.

**2. Recommendations:**

- 2.1 That the Committee considers and agrees, subject to any amendment agreed by the meeting, the strategic priorities (paragraph 3.10) for train operator business plans for 2024/25.

**3. Main Issues:**

**Background**

- 3.1 Since covid and the effective end of rail franchising, all train operators (whether operated by private operators or the public sector operator of last resort) are subject to an annual business planning process where operators have to set out their proposals against a budget provided by the Department for Transport as funder of services. These arrangements cover Northern and TransPennine Express (TPE), but not other locally specified services such as Merseyrail and Tyne and Wear Metro. On 28 May 2023, TPE transferred to the Operator of Last Resort alongside Northern so there may be opportunities for more collaboration between the two operators.
- 3.2 As a party to Rail North Partnership, Transport for the North has the opportunity to help shape the business plans for Northern and TPT by providing input at each main stage in the process. In previous years this has been achieved through a combination of the Committee's Member Working Group and through lead officers, working closely with the Rail North Partnership Team.
- 3.3 Previous engagement has been dominated by the budgetary constraints faced by the Department for Transport (DfT) which has required operators to develop cost saving scenarios. Transport for the North members have focussed on making the strategic case for retaining and developing services in the North given the strong post-covid growth achieved and the wider social and economic case for rail service. In this Members have been keen to emphasise the importance of business planning taking into account both revenues and costs. Input to date has helped secure the retention of the broad quantum of services in the North although there have been a number of instances of resource shortages constraining services and some local matching of demand and supply given that markets have changed post-pandemic.

**2024/25 Priorities and Process**

- 3.4 Advice from DfT is that budgets for 2024/25 continue to be challenging and therefore operators will need to focus on the “must haves”, however business plans do also map out a 5-year time horizon so there is an opportunity to provide some longer-term direction and a pipeline of priorities.
- 3.5 The template business plans cover the following areas:
- Leadership and Management (including culture)
  - People Plan (the workforce including recruitment, training and diversity)
  - Collaboration Plan (working with other parts of the industry and to deliver wider economic and social benefits)
  - Train Service Operations Plan (the timetable and trains to be operated)
  - Customer and Communities Plan (meeting the needs of passengers and communities served)
  - Revenue Plan (growing the revenue and responding to new markets)
  - Environmental Sustainability Plan (contributing to de-carbonisation)
  - Accessibility Plan (both physical and broader access such as information).
- 3.6 For Business Planning 2024/25, Rail North Partnership is commencing the development of the business plans with a two-day workshop involving Train Operators, Network Rail, Transport for the North and partner representatives from Regional Business Units. The aim of the workshop is to provide an opportunity to highlight each organisation’s priorities which can help inform the development of the train operator business plans for 2024/25. Any financial implications relating to business plan recommendations must be considered and how these could be potentially funded.

### **Transport for the North Input**

- 3.7 Under the arrangements set out in the Rail North Agreement, Transport for the North is invited to input priorities and is involved in the business planning process. For 2024/25 it is suggested that, building on previous experience the working arrangements will be:
- Rail North Committee inputs at 3 key stages of the process:
    - i. Initial priorities (June 2023)
    - ii. Finalising the specification for operators (September 2023)
    - iii. Finalising the plan once proposal have been received (December 2023/January 2024)
  - The Rail North Committee (RNC) Member Working Group is refreshed and oversees TfN’s input at stages ii) and iii)
  - TfN’s role through Rail North Agreement enables a dialogue with the Rail Minister on the budget implications and trade-offs that may have to be made (reflecting the fact that the budget is a reserved matter for the Secretary of State)
  - A representative number of lead officers from partners are once again embedded in the process working with Rail North Partnership and attending the planned workshop.
- 3.8 Under the rail reform agenda Transport for the North has articulated how the priorities for the industry (and planned Great British Railways) should be shaped by Transport for the North’s Strategic Transport Plan. Transport for the North is consulting on the new Strategic Transport Plan which it is planned to have adopted ahead of the 2024/25 financial year. Alongside the Plan TfN has

published a Strategic Rail Report which provides more evidence and detail on the rail aspects of the Plan. Members of the Rail North Committee have helped shape the Strategic Rail Report.

- 3.9 It is therefore proposed that Transport for the North's strategic guidance for train operator business plans is taken as the draft Strategic Transport Plan. The main points for Train Operators to take into account include:
1. In order to achieve the strategic economic, environmental and social outcomes set out in the Strategic Transport Plan it is necessary to plan for and deliver sustained growth in both passenger and freight demand over the long term, with a target to more than double rail freight's modal share and accommodate up to a tripling of passenger demand by 2050
  2. There needs to be a focus on the completion of Transpennine Route Upgrade (TRU) as an initial phase of delivering the Northern Powerhouse Rail (NPR) network in full (including via central Bradford) including the construction of the HS2 Eastern Leg to Leeds, and improved connections to ports and airports. As well as facilitating delivery of TRU, there should be an emphasis on building demand and new markets in advance of the later stages of NPR
  3. In order to encourage and facilitate a modal shift to rail in advance of the implementation of these major schemes, a number of more immediate measures are needed, including bringing all stations in the North up to a common set of standards (especially with regards accessibility), progress on integrated and SMART ticketing, efficient linespeed improvements, responsive timetabling, moves towards a genuinely "seven day" railway, and a programme of many small-scale enhancements to improve reliability, punctuality and resilience.

Together, these measures can underpin the economic growth arising from a more agglomerated labour market, enable a sustainable and decarbonised transport system, and reduce transport-related social exclusion.

- 3.10 Based on the experience of business planning for the previous year and discussions with Transport for the North members, the following are suggested as priorities:
1. Delivery of performance recovery plans to ensure that the full level of service is delivered in a reliable and consistent manner including addressing training backlogs.
  2. A focus on the People Plans to build a more positive culture with staff addressing current disputes and finding shared ways to deliver improved ways of working for both staff and customer.
  3. Timetables restored to the pre-covid quantum of services (including maintaining journey times) but developed in collaboration with Transport for the North to take advantage of changing markets and new opportunities.
  4. Wider social and economic benefits to be reflected in timetable development proposals as well as the standard financial metrics with options for change to be developed jointly with Transport for the North.
  5. Supporting delivery of Pay as You Go ticketing on rail (and facilitating integration with other modes) in line with Transport for the North's Connected Mobility Strategy.
  6. Initiatives to support the leisure and tourism markets (reflecting that these have been growth areas post-Covid).

7. Innovation in fares to simplify, integrate with city region networks and encourage use of spare capacity where it exists.
8. Station enhancements through the Stations as a Place Initiative including accessibility improvements.

3.11 The Committee is asked to consider and discuss the priorities set out above.

#### **4. Corporate Considerations**

##### ***Financial Implications***

4.1 There are no financial implications to TfN arising within the report.

##### ***Resource Implications***

4.2 There are no direct resourcing implications to Transport for the North as a result of this report.

##### ***Legal Implications***

4.3 There are no apparent legal implications as a result of this report.

##### ***Risk Management and Key Issues***

4.4 There are no further risk implications as a result of this report. There are two corporate risks which are being managed in relation to the viability of train services and future investment decisions and Transport for the North having a reduced role in the rail industry.

##### ***Environmental Implications***

4.5 This report does not constitute or influence a plan or programme which sets the framework for future development consents of projects listed in the Environmental Impact Assessment (EIA) Directive and therefore does stimulate the need for Strategic Environmental Assessment (SEA) or EIA.

4.6 Passenger rail and rail freight has an essential part to play in achieving our decarbonisation objectives within Transport for the North's Decarbonisation Strategy, particularly around reducing road vehicle mileage.

##### ***Equality and Diversity***

4.7 Accessibility is one of the Business Plan themes.

##### ***Consultations***

4.8 Transport for the North Members are being consulted through this report.

#### **5. Background Papers**

5.1 There are no background papers.

#### **6. Appendices**

6.1 There are no appendices to this report.

#### **Glossary of terms, abbreviations and acronyms used**

a) TPE	<i>TransPennine Express</i>
b) TRU	<i>Transpennine Route Upgrade</i>
c) NPR	<i>Northern Powerhouse Rail</i>
d) NTC	<i>Northern Transport Charter</i>
e) EIA	<i>Environmental Impact Assessment</i>
f) SEA	<i>Strategic Environmental Assessment</i>