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<b>Meeting:</b>	Rail North Committee
<b>Subject:</b>	Operators Business Planning
<b>Author:</b>	David Hoggarth, Head of Strategic Rail
<b>Sponsor:</b>	Darren Oldham, Rail and Road Director
<b>Meeting Date:</b>	Wednesday 13 September 2023

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## **1. Purpose of the Report:**

- 1.1 To provide an updated 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's amended strategic priorities for the train operator business plans for 2024/25 following the Rail North Committee on 7 June 2023.

## **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 (DfT) 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.
- 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 TPE 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 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. Members have been keen to emphasise the importance of business planning considering 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**

- 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 decarbonisation)
  - Accessibility Plan (both physical and broader access such as information).
- 3.6 For Business Planning 2024/25, Rail North Partnership commenced the development of the business plans with a two-day workshop on 15-16 June 2023 involving Train Operators, Network Rail, Transport for the North, and partner representatives from Regional Business Units. The workshop provided an opportunity to highlight each organisation's priorities which could help inform the development of the train operator business plans for 2024/25. Financial implications relating to business plan recommendations were considered including how they 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 was agreed at the 7 June Rail North Committee meeting that the working arrangements will be:
- Rail North Committee inputs at 3 key stages of the process:
    - i. Initial priorities (Rail North Committee meetings June 2023 and September 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, (the initial meeting was held on 24 August 2023) to oversee Transport for the North's input at stages ii) and iii). A verbal update will be provided at the meeting on 13 September 2023
  - Transport for the North'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. Consultation on Transport for the North's new Strategic Transport Plan (the "Plan") has been completed and it is planned to have the Plan adopted ahead of the 2024/25 financial year. Alongside the Plan Transport for the North 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 consider 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 Rail North Committee members at the meeting on 7 June 2023, the following are suggested as priorities, including an overarching statement.

#### **Overarching Statement**

- 3.11 Transport for the North is of the view that the focus for operators in 2024/25 should be on building back demand and confidence, addressing social exclusion and improving accessibility.

#### **Priorities**

- 3.12 In collaboration with Transport for the North, Northern and TPE are to:
1. Focus on the delivery of services that are both consistently reliable and with sufficient capacity build back and grow demand and confidence
  2. To reflect the wider social, environmental, and economic benefits, including levelling up priorities and decarbonisation, in timetable development and define criteria for prioritising new or reinstated services
  3. Through the Stations as a Place Initiative and other initiatives such as rollingstock procurement and refurbishment, to provide station and train enhancements and offer a consistent level of accessibility and facilities and passenger safety
  4. Take advantage of changing markets and new opportunities in the longer term, including initiatives to support the leisure and tourism, to grow revenue
  5. Support delivery of Pay as You Go ticketing on rail (and facilitating integration with other modes) and explore opportunities to pilot initiatives and innovation in simplifying fares, while maintaining and enhancing value-for-money for the passenger and taxpayer
  6. Develop with the wider industry a standardised approach to journey planning and disruption messaging to promote passenger confidence and deliver guidance during planned and unplanned disruption

7. 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
8. To work collaboratively with the industry and other operators in the development of infrastructure associated with rolling stock decarbonisation, identifying key hubs for investment (power upgrades etc.) and seek to secure development funding from DfT to support the activity
9. Co-operate with Network Rail, other train operators and Transport for the North to work towards approaches to service planning (including but not limited to timetables, fares / ticketing, and approaches to managing disruption) that put the passenger journey first and produce a joined-up end-to-end offer based on an integrated rail network.

3.13 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 Transport for the North 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 Legal implications are included within the 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 TransPennine Express
- b) NPR Northern Powerhouse Rail
- c) NTC Northern Transport Charter
- d) EIA Environmental Impact Assessment
- e) SEA Strategic Environmental Assessment