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THE OFFICE OF THE RAIL REGULATOR

**Hearing on the application under section 17 of the Railways Act 1993
by Grand Central Railway Company Limited
for a Track Access Contract**

held on

Wednesday 31 March 2004

at

The Office of the Rail Regulator
1 Waterhouse Square
138-142 Holborn
London EC1N 2TQ

Before:

Mr Michael Beswick
(The Chairman)

Mr Michael Dawson
Mr Iain Morgan
Mr John Roberts
Mr Paul Hadley
Mr Brian Kogan
Mr Brian Hopkinson
Ms Alison Smith (Norton Rose)

TRANSCRIPT OF PROCEEDINGS

Transcript of the stenographic notes of
Harry Counsell & Co.
Cliffords Inn, Fetter Lane, London EC4A 1LD

1 ATTENDEES

Grand Central Railway Company Limited	Ian Yeowart Warren Breeze Gareth David Rachel Speight (Mayer Brown Rowe & Maw)
Network Rail	Barbara Barnes Ian Marlee Simon Whitehorn Philip Hassall Nigel Dewick
The Strategic Rail Authority	Gary Backler Philip Benham Geoff Pearce Peter Painter
Arriva Trains Northern Limited	Stephen Rattue Dave Jubb
English Welsh & Scottish Railway Limited	Nigel Oatway Pawel Nowak
First/Keolis Transpennine Limited and North Western Trains Company Limited	Vernon Barker Denise Lennox Niel Wilson Simon Coppen (Burgess Salmon)
Greater Manchester PTE	Peter Johnston
Great North Eastern Railway Limited	Jon Colley Robin Davis
Hull Trains Limited	Mark Leving Andy Wylie Jim Morgan
Jarvis Fastline Limited	Leighton Williams
Merseytravel	David Jones
Rail Passengers Committee North Eastern England	Ernie Preston Clive Gossop
Rail Passengers Committee North Western England	Robin Sisson
Serco Railtest Limited	Julie Bebbington
Virgin Crosscountry	Graeme Bunker Dennis Lovett

(At 10 a.m.)

1
2 THE CHAIRMAN: Good morning, everybody. I am Michael Beswick, Director of
3 Rail Policy at ORR and I will be chairing today's hearing. My colleagues, on my
4 left, are Brian Hopkinson from our Track Access Team; Iain Morgan, the
5 Economist on the case; Michael Dawson, Deputy Director in charge of Track
6 Access; Brian Kogan, our Head of Track Access. On my right, John Roberts, who
7 is the Operating Adviser on this case; Paul Hadley, Head of Operations &
8 Performance; and Alison Smith from Norton Rose, our lawyers.

9 A bit of background: on 16th October 2003, the Regulator received an
10 application from Grand Central Railway Company for directions under Section 17
11 of the Railways Act 1993 in respect of a Track Access Contract on the Network
12 owned and operated by Network Rail.

13 After following the procedure required in Schedule 4 of the Railways Act
14 1993 and after carrying out a lot of additional consultation of the parties and others
15 who might be affected by the giving of directions in this case, the Regulator has
16 convened this hearing.

17 In arriving at this point, ORR staff have discussed the merits of the
18 application in some detail with Network Rail, Grand Central and the Strategic Rail
19 Authority. We have also received representations and objections in writing from
20 consultees, most of which have been made available to the parties for their review
21 and, if they wish, their comment.

22 I should add that when I come to ask any questions or indeed the panel
23 comes to ask any question of you, there is no need for anyone to repeat what they
24 have said in those representations. Simple repetition is unnecessary. Emphasis is
25 justifiable but it is for you to put to us what you want us to take into consideration.

26 The purpose of today's hearing is for us to test in some important respects
27 that the way in which the Regulator is being advised to dispose of this application,
28 is properly informed by the views of Grand Central, Network Rail, the Strategic
29 Rail Authority and all those who might be affected.

30 Consultation closed on 28th November 2003 and, including the statutory
31 consultees, we received representations from fifteen organisations. The application
32 has been posted on the ORR website, together with comments from consultees and
33 the parties. In carrying out this work, ORR staff have reviewed the different
34 aspects of the application. A summary of the ORR review was sent to you on 25th

1 March 2004 so that everyone present at this hearing would have a common
2 understanding of the issues.

3 The Regulator has, at this stage, made no decision on the substance of the
4 application. He can only make decisions when he is satisfied that we have heard
5 what the parties have put to us in this hearing and any other information he
6 considers necessary.

7 As is our custom in these hearings, a full transcript is being taken of what is
8 said. If the person speaking is not directly behind a nameplate which bears his or
9 her correct name and organisation, for the record they should say what it is so the
10 stenographer can accurately attribute what is said to the speaker. The acoustics in
11 this room are not great so it is necessary to use a microphone. We will also have a
12 roving microphone.

13 If the stenographer has any difficulty in hearing or in identifying who is
14 speaking, she has my permission to interrupt and to ask for something to be
15 repeated. Do not hesitate to do that.

16 The transcript of this hearing will be produced as quickly as possible and
17 all present will be given an opportunity to correct it in draft. It is necessary for this
18 to be done fairly quickly. The usual Hansard rules of correction will apply: you
19 may not change the substance of what you said, but you may eliminate unnecessary
20 stumbles or infelicities of expression. The transcript will be published subject to
21 the considerations concerning confidentiality provided in Section 71(2) of the
22 Railways Act.

23 I think the onus today is on those present to say whether anything which is
24 said in this forum should be treated as confidential and provide adequate reasons
25 why in a timely manner. The assumption is that if you say something in the
26 presence of all these other people, it is probably not confidential but, clearly, we
27 would consider anything on its merit.

28 Certain commercially-confidential matters relating to the affairs of
29 Grand Central, of which prior notice has been given to us, may be considered in a
30 separate meeting with Grand Central at a subsequent date.

31 Section 146 of the Railways Act 1993 applies to what is said in this
32 hearing, as it does to the application itself and all the representations/objections
33 which have been made in respect of it. Section 146 provides it is an offence for any
34 person, in giving any information or making any application, or for the purposes of

1 any provision of the Railways Act, including Section 17, to make a statement
2 which they know to be false in a material particular or recklessly to make any
3 statement which is false in a material particular. In other words, do not make false
4 statements.

5 We have, in the agenda already circulated, set out the running order which
6 we propose to adopt for this hearing. I do not want to constrain a proper airing of
7 people's views, but I believe the time allowed for each topic should be sufficient. I
8 have invited the parties and the Strategic Rail Authority to make a brief opening
9 statement before we move on to questions relating to capacity and performance.
10 After the coffee break we will review the framework and process for considering
11 the costs and benefits arising from the application, including issues like revenue
12 abstraction, the amount of new to rail business, the benefits to passengers and the
13 effect on the SRA's financial position. Really, what we want to try to do is to get
14 together a balance sheet of the pros and cons of this application.

15 Finally, we will take any other points people wish to raise before we draw
16 proceedings to a close and advise you of the next steps.

17 I will now pause in these remarks and ask if there are any questions,
18 representations or objections anybody wishes to raise with regard to the process of
19 the hearing?

20 (No comment)

21 We will now move on to opening statements. I would like first to ask Grand
22 Central if they would like to make an opening statement.

23 MR WARREN BREEZE: Thank you very much. Having first contacted the ORR and
24 then Railtrack in 1997 regarding the development of the proposal that has now
25 been presented in our Section 17 application, we welcome today's opportunity for a
26 hearing in person. We would like to make a number of brief points ahead of a full
27 consideration of the issues which will no doubt follow during the course of this
28 hearing.

29 In the development of this proposal, we would like to remind our
30 colleagues present of what we were told along the way: firstly, there is no capacity
31 or white space on the Network to provide you with paths; you will not find paths
32 for services in and out of Leeds station; and, more recently, you cannot operate
33 your trains at Brighouse.

34 We are pleased to report that all of these challenges appear to have been

1 overcome.

2 The route to delivering a workable timetable has been a long one and we
3 regret that a final draft has only become available in the last few days. We are,
4 however, very pleased with the excellent timetable which delivers new and
5 improved journey opportunities to rail passengers. Its development results from
6 some facilitation that has taken place by the ORR and the recent efforts of the SAP
7 Team at Network Rail, and our particular thanks to Simon Whitehorn and his
8 colleagues. The timetable is acceptable to Grand Central and places the industry on
9 the verge of further enhancements in Cross-Pennine rail travel.

10 Crucially, we must remind the hearing that no rights of other operators have
11 been breached and the use of the Grand Central provisions, as added to a number
12 of recent access contracts by Mr Winsor, have not been required.

13 The recent industry consultation exercise resulted in a number of comments
14 regarding capacity and performance issues. Whilst there have been concerns
15 regarding the Capacity Utilisation Index (or CUI), a clear picture has emerged in
16 the past few days in the form of an analysis from AEA Technology on behalf of
17 the ORR.

18 Grand Central believes that this offers the prospect of implementing the
19 paths that are now being sought without giving rise to a material breach of the
20 guidelines for granting of new rights against a backdrop of perceived Network
21 congestion. Whilst some local train paths are to be removed shortly from the
22 East Coast Main Line, the paths identified for Grand Central will, as required,
23 deliver greater benefits for railway users.

24 The use of HST rolling stock has attracted comment from the industry. We
25 have sought to satisfy the Regulator on this point in some detail by providing
26 analysis of why a recent cascade of former Virgin rolling stock has proven to be
27 less than successful. We have also identified, from a technical perspective, what
28 we believe is a realistic expectation of our envisaged reliability. The HSTs
29 concerned continue to provide a variety of quality journey opportunities for
30 millions of passengers each year on the National Rail Network, and we should not
31 pass up on this excellent opportunity to extend that benefit to millions more
32 passengers in the coming years.

33 Throughout the development of our proposal and our current application,
34 we have at all times sought to produce a proposition that will be consistent with

1 common industry goals, specifically including the SRA's strategies. We referred at
2 length in our application to the commonality with the SRA purpose and objectives.

3 Whilst the SRA's responses do not cite Grand Central's service as being one
4 of its strategies, we have to say that what we will deliver for passengers will be
5 entirely in accordance with the quality of outcomes that the SRA is so proud of
6 when agreeing new or extended franchise agreements. Fundamentally,
7 Grand Central does not seek any conflict with the SRA and nor does it believe it
8 will breach any of its strategies in delivering the service that is being proposed.
9 They will in fact co-exist in harmony with each other.

10 We have proposed to invest heavily in real passenger benefits, creating
11 nothing short of a new benchmark in Cross-Pennine rail travel. It is a much used
12 phrase but rightly so in this case. Rolling stock, simplicity of ticketing and
13 enhancements for specific groups, such as senior citizens, all make up one
14 objective: to make the railway better for users through some real, if moderate,
15 competition on a level that we believe will not overwhelm the franchised operators
16 and to do what we all talk about, which is providing a real option to get drivers out
17 of their cars, people to travel more where they do not travel now and delivering the
18 kind of social and economic benefits across the North of England that many
19 correspondents, including the RPCs, PTEs and a number of MPs have already
20 commended to the ORR.

21 Without access to standard industry tools, particularly MOIRA, we have
22 sought to approach our service from a different perspective. As a result, we want to
23 turn the common understanding of revenue generation on its head.

24 We always acknowledged that it would be unacceptable and insufficient to
25 operate based merely on abstracted revenue from elsewhere, and so we have taken
26 our own route to addressing this issue. I will be presenting that later today.

27 In recent years, other transport operations have led the way in making all of
28 us think about how passenger services should be structured and marketed. Grand
29 Central can be the easyJet or the Go! of the rail industry, albeit delivering its own
30 enhanced standards of service. It has the capacity to bring significant change
31 within a regulated industry whilst not destabilising the market.

32 New customers will be attracted by the targeting of key passenger
33 audiences whilst also delivering tangible and worthwhile benefits to existing rail
34 passengers.

1 We welcome the panel's examination and remain committed to delivery of
2 an innovative and entrepreneurial service that we believe will co-exist with the
3 current franchise framework.

4 Thank you.

5 THE CHAIRMAN: Thank you. Perhaps I could ask Barbara Barnes if she wants to
6 make an opening statement for Network Rail?

7 MS BARBARA BARNES: Thank you, Chairman. Could I just introduce the people I
8 have with me today, if you do not mind. I have, on the far end, Simon Whitehorn
9 who is our Strategic Access Planning Manager; Nigel Dewick, our Principal
10 Solicitor; Ian Marlee, Head of Regulatory Operations and Economics; and
11 Philip Hassall, Commercial Development Manager.

12 Whilst we recognise there may have been some problems in the past,
13 Network Rail is committed to dealing with prospective customers and providing
14 advice, assistance and support in furtherance of their track access aspirations.
15 This is reflected in our Code of Practice for dealing with dependent persons which
16 we have consulted upon and submitted for relevant sections to the Regulator
17 for approval.

18 In response to Grand Central's Section 17 application of 16th October 2003,
19 Network Rail made its representations as part of the Regulator's statutory
20 consultation process. In its comments, Network Rail agreed in principle to Grand
21 Central's application but could not agree to the specific rights being sought on the
22 grounds that, at the time, we had not had sufficient opportunity to establish
23 whether there was sufficient capacity available to satisfy the rights sought; whether
24 we could satisfy existing operators' rights; and what impacts these additional
25 services would have on operational performance.

26 Under the guidance of officials from The Office of The Rail Regulator,
27 Network Rail has subsequently undertaken a number of timetable development
28 exercises, culminating in the issue by the ORR of the Timetable Evaluation Report
29 and Performance Assessment Report under consideration today. Network Rail has
30 developed this timetable on the basis of minimising the impact to other train
31 operators, whilst meeting most of Grand Central's train service aspirations.
32 In completing this work, we are now in a position to provide you with our
33 comments on the concerns described previously.

34 Network Rail has been able to identify eight paths (that is four in each

1 direction) within the May 2004 to September 2004 timetable using only flexing
2 rights and not the Regulator's carve-out provision contained in some train
3 operators' contracts. This would suggest that there is capacity available and that
4 Network Rail could accommodate Grand Central's services alongside the services
5 of other operators without any direct conflict of access rights.

6 In addition, the output of the performance modelling exercise, specifically
7 the delay to train operators, indicates only a relatively slight increase in
8 comparative train delays for each individual train operator as a result of
9 introducing these additional services. For example, in all but one case, the total
10 additional delay to existing operators is less than one per cent of their period 12
11 moving annual average.

12 Against this background, Network Rail believes that there is capacity
13 available; it can satisfy existing operators' rights; and the introduction of these
14 services is likely to have relatively little impact on the operational performance of
15 each individual train operator. On this basis, Network Rail could satisfy the
16 quantum rights implied by the timetable for the services between Newcastle and
17 Manchester Victoria, although we remain concerned over what associated service
18 characteristics we could accommodate over the full duration of the contract.

19 Network Rail's performance assessment of the timetable in respect of the
20 individual route sections, however, suggests that the majority of additional delay,
21 as a result of the introduction of Grand Central's services, will be suffered on some
22 specific route sections. This suggests that the paths found are likely to have an
23 impact on the overall performance of the route.

24 To summarise, in developing the timetable and completing the modelling
25 exercise under consideration today, Network Rail has established there is capacity
26 available between Newcastle and Manchester Victoria; the existing rights of other
27 operators' services can be accommodated; and the impact on the operational
28 performance of other individual train operators is not likely to be material;
29 however, in aggregate, our analysis shows there is likely to be an impact on overall
30 performance on the routes concerned.

31 Thank you.

32 THE CHAIRMAN: Thank you. Perhaps I could ask Gary Backler from the SRA if he
33 wishes to make an opening statement.

34 MR GARY BACKLER: Thank you, Chairman. The SRA's views on the application

1 were contained in our letter of 28th November 2003. Results of our revenue and
2 cost analysis were also submitted but on a confidential basis. We are concerned
3 that Grand Central have supplied very little financial information or quantitative
4 information.

5 The SRA is not in principle opposed to open access operations where they
6 can be shown to bring benefits to passengers and to the industry as a whole that
7 outweigh any adverse effects. Hull Trains, for example, was supported because of
8 the significant increase in journey opportunities being offered at that time to Hull
9 and North Humberside.

10 The position with Grand Central is very different. On the Trans-Pennine
11 corridor, frequent services (that is better than two trains per hour in most cases)
12 already exist between all of the major locations: Newcastle to York has four to
13 five trains per hour; Newcastle/Leeds, one to two trains per hour;
14 Newcastle/Manchester, one train per hour which will be on a regular pattern from
15 December 2004; York to Leeds, four trains per hour; York to Manchester, two fast
16 and one slow train per hour; and Leeds to Manchester, four trains per hour.

17 Our analysis shows that the few new direct journey opportunities arising
18 from the Grand Central proposals reflect relatively low overall revenue growth and
19 do not justify the overall cost to the industry in terms of both abstraction and
20 adverse performance impacts.

21 In line with the Section 4 duties, the Regulator is asked to note the SRA's
22 concern about the negative impact the Grand Central proposals will have on both
23 SRA strategies, as outlined in the Network Utilisation Strategy and Strategic Plan,
24 and on the SRA's funding and financial position. The Regulator is also asked to
25 ensure that the overall impact for the industry is fully taken into account, both in
26 terms of net passenger benefits and operational performance.

27 Our key concerns include the following:

- 28 * The need to understand Grand Central's business model, since our analysis
29 suggests that the operation would be overwhelmingly abstractive and
30 produce a net loss for both the industry and Grand Central;
- 31 * Our analysis based on Midland Main Line, who are the lowest cost HST
32 operation, suggests minimum operating costs of around 5 million per
33 annum for a revenue of around 1.25 million;
- 34 * Viability of the Grand Central operation, given the additional cost to the

1 industry that is not matched by at least an equal addition to revenue, with a
2 risk that this would thereby export costs to franchised operators and they, in
3 the meantime, will have suffered the opportunity cost of suboptimal use of
4 capacity and service patterns and revenue abstraction and would export
5 costs to the SRA in handling the consequences of this instability, not to
6 mention the reputational damage to the industry as a whole;

7 * Withdrawal of Preston as a destination must actually worsen Grand
8 Central's business case and hence increase the risk of failure;

9 * The risk Grand Central proposals create for SRA's future strategies for the
10 East Coast Main Line, shortly to be issued for consultation, and for routes
11 across the Pennines, including the plans incorporated in the recently-let
12 Trans-Pennine franchise for a revised regular interval pattern timetable for
13 introduction from December 2004. Should it prove necessary as a result to
14 amend these, this could increase the SRA's subsidy payments;

15 * The largely unsubstantiated criticism of MOIRA must not be allowed to
16 undermine the very real abstraction risk, even if new business is at the
17 higher end of the Regulator's 10% to 20% assessment of Grand Central's
18 total revenue gain, the overall impact will still be predominantly
19 abstractive, not generative;

20 * The Grand Central proposals will directly affect the viability of the
21 recently-franchised Trans-Pennine operation and could, in some
22 circumstances, trigger an increase in subsidy payments. They will certainly
23 reduce the value of franchised operations at the time of re-franchising,
24 particularly the Inter City East Coast franchise which is currently out for
25 tender, and the Trans-Pennine franchise and the Cross Country franchise in
26 due course;

27 * The introduction of additional services for Grand Central over already
28 congested routes runs counter to action already being taken on these routes
29 as part of the industry's drive to improve performance. Network Rail's
30 analysis of the extra delay minutes arising from the indicative timetable
31 developed for Grand Central suggests a significant performance cost of
32 around £860,000 per annum at CP3 rates;

33 * Grand Central's proposal at the February 2004 Timetable Conference for
34 additional services and alternative routings displays a confusion and lack of

1 understanding about the importance of timetable stability in developing a
2 market base. The changes proposed would cause further, as yet
3 unquantified, performance and revenue risk;

4 * Finally, doubt about the real value, deliverability and sustainability of some
5 of the passenger benefits proposed by Grand Central, relying, as a number
6 do, on the use of stations with only limited facilities for passengers. Indeed
7 our revenue analysis suggests Grand Central will draw most business only
8 from flows competing heavily with GNER and Virgin Cross Country on the
9 East Coast Main Line.

10 In summary, our concerns centre on the incompatibility of Grand Central's
11 proposals with SRA strategies and financial position. The proposals pose
12 significant risk of revenue abstraction and performance decline and reduction in
13 franchise value.

14 Thank you.

15 THE CHAIRMAN: Thank you. I think we ought to just clarify precisely what we are
16 talking about in terms of access rights today. We are talking about four trains a day
17 between Manchester Victoria and Newcastle. Grand Central, as part of their
18 business plan, have aspirations to do other things and there was, at one stage, the
19 possibility of going to Preston, but at the moment what we are talking about is
20 access rights that would underpin running four trains a day each way and one less
21 on a Sunday, between Manchester Victoria and Newcastle.

22 Perhaps I could just confirm that with Grand Central and Network Rail.

23 MR WARREN BREEZE: Yes.

24 MS BARBARA BARNES: Yes.

25 THE CHAIRMAN: Thank you. The second point I would like to confirm is that
26 Network Rail's view is that what is currently proposed does not prevent Network
27 Rail from fulfilling access rights already held by other parties, that it has found a
28 timetable that does not cut across existing access rights held by other people. Is
29 that correct, please?

30 MS BARBARA BARNES: That is correct. We have not finalised the timetabling yet
31 for Sunday, but for Monday to Saturday we have found timetabling solutions.

32 THE CHAIRMAN: I think it might be worth going around the room. At the moment I
33 do not want to talk about plans for the future and I do not want to talk about
34 performance issues because we will pick that up later. Does anyone around the

1 room believe there is a conflict with their existing access rights?

2 MR NIGEL OATWAY: Nigel Oatway, EWS. It appears, Michael, on the information
3 that we have received so far, i.e. the timetabling evaluation dated 19th March, that
4 1G30 (the 1804 Newcastle to Manchester Victoria) appears to conflict with our
5 steel train, the 6E30 1336 Dalzell to Lackenby. The information that we have been
6 provided with basically states that this train loses its path at Newcastle and then
7 runs thirty minutes later throughout. Thirty minutes later throughout would put it
8 outside of its contractual plus or minus thirty minutes flex envelope.

9 No doubt that we would be willing to work with Network Rail and Grand
10 Central to try and overcome this issue, but I thought I'd best raise it at this stage.

11 THE CHAIRMAN: Thank you. Did I see Cross Country wishing to make a contribution
12 as well?

13 MR GRAEME BUNKER: Good morning, Chairman. Graeme Bunker, Director,
14 Planning & Performance from Cross Country. We do have some concerns around
15 our access rights. Presently we have contingent rights to operate hourly services to
16 Newcastle as well as firm contractual rights, North of York, to run hourly services
17 through to Edinburgh.

18 The current timetable which we are discussing I think would be excellent if
19 Network Rail could confirm the base assumptions that they have used in this
20 timetabling exercise. The timetable that we would declare as Summer 2004 took
21 ten days of the industry in a smoke-filled room, I am sure, to actually put together
22 and we still could not fully utilise our access rights because of congestion on the
23 Network, primarily north of Darlington. This was associated with the services for
24 TPE and GNER and ourselves, and also included the removal of an hourly Arriva
25 Trains Northern service and we still could not fulfil our full access rights.

26 We think that in putting the overall plan for franchised operators together,
27 Network Rail have been very fair in ensuring that the balance is correct; however,
28 we would, in December, at the next timetable change, seek to fulfil our rights fully
29 and we are concerned that that may not be the case if this application went ahead.

30 THE CHAIRMAN: Could I get back to the precise question. Those rights are
31 contingent; are they contingent in all respects, including quantum?

32 MR GRAEME BUNKER: They are purely contingent on capacity on the Network.

33 THE CHAIRMAN: Thank you. Could I ask Network Rail if they wish to comment on
34 that, please?

1 MS BARBARA BARNES: Chairman, I will comment on the EWS question and Simon
2 Whitehorn will comment on Virgin. The path for 6E30 has been re-checked and
3 the freight path which caused the extra three minutes in Newcastle is no longer
4 required. Consequently, 6E30 is now three minutes earlier into Tyne Yard and
5 forward as booked; that is, it has managed to get across at Low Fell before 1G30,
6 the Grand Central service has caught up with it, so we think we have resolved that
7 issue.

8 MR SIMON WHITEHORN: That is correct. In terms of Virgin's issue about rights used
9 for Summer 2004, the timetable exercise that has been undertaken is quite clearly
10 based on the Summer 2004 timetable as it was developed and agreed by all train
11 operators.

12 Yes, we have based the Grand Central pathways around the structure of that
13 timetable and there is no doubt that for December 2004 further changes could be
14 made to deliver as much as possible of the rights that Virgin believe they have in
15 terms of contingent rights. For Summer 2004 we have purely based it around the
16 timetable as developed to fit the Grand Central pathways in.

17 THE CHAIRMAN: Thank you for those clarifications. Perhaps I could ask Mr Rattue to
18 comment.

19 MR STEPHEN RATTUE: Stephen Rattue, ATN. Thank you. We also have an issue
20 with our Schedule 5 rights and that is our entitlement to an average journey time
21 between Manchester Victoria and Leeds all stations of 98 minutes. With the
22 flexing of two trains to depart Manchester earlier, that increases the actual average
23 time to 99 minutes.

24 There is also one other issue where a stop at Chester -le-Street has been
25 deleted from a Trans-Pennine service. Whilst we appreciate it is only a contingent
26 right for Trans-Pennine, it enables us to meet our passenger service requirement
27 obligation for a quantum of stops at Chester-le-Street.

28 THE CHAIRMAN: Thank you. Just to clarify one point, how long does the ATN
29 contract last?

30 MR STEPHEN RATTUE: Until December 2005.

31 THE CHAIRMAN: And does it contain a provision in respect of Grand Central rights?

32 MR STEPHEN RATTUE: Only from December 2004.

33 THE CHAIRMAN: Thank you. I do not know if Network Rail want to comment or take
34 that one off-line?

1 MS BARBARA BARNES: Simon will comment.
2 MR SIMON WHITEHORN: I will pass it over to Philip.
3 MS BARBARA BARNES: I do apologise, Philip will comment.
4 MR PHILIP HASSALL: In development of the timetable between May 2004 and
5 September 2004, it might be that we are already in a situation of non-compliance
6 with average journey time being broken without introduction of Grand Central
7 services. As part of the iterative timetable development process, however, we
8 believe, after we have been through this process, we could offer Arriva a fully
9 compliant timetable.

10 THE CHAIRMAN: Thank you. I suggest that we just move on a little bit. We note those
11 points and I am sure we can ask Network Rail to take those away and look at them
12 and make sure they can address them.

13 It seems to us a more important issue, in terms of capacity going forward, is
14 the impact on future timetable aspirations, future timetable plans. I think that was a
15 point made by the SRA, that there are certain areas where the SRA believe the
16 timetable should be restructured. It seems to us that these issues are essentially
17 around, first of all, the Oldham Loop services, Rochdale to Manchester Victoria;
18 secondly, on the East Coast Main Line North of York; thirdly, in the general
19 neighbourhood of Leeds; and the fourth area is about performance which
20 essentially is a whole route issue.

21 Can I just ask if anybody has got any particular concerns about that
22 structure and any other future capacity issues, future plans that they would like to
23 pick up so that I can structure the discussion over the next few minutes?

24 MR NIEL WILSON: Niel Wilson, First North Western. I would just like to make sure
25 the issue of platform occupation at Manchester Victoria is fully understood by the
26 panel. There is a proposal to cease services on the Oldham Loop, a GMPTE
27 proposal. The latest official date for that happening is December 2004. A draft
28 timetable which was produced by Network Rail, or at least the standard hour of it,
29 which was produced in May of last year indicates that platform occupation at
30 Manchester Victoria will not permit, on any platform or at any time of the hour, a
31 35-minute dwell time which is what is proposed in the draft timetable which has
32 been circulated by the Regulator.

33 There is one platform available which is a bay platform, but that would not
34 be long enough to accommodate the proposed formation of the HST.

1 THE CHAIRMAN: I was going to pick that issue up very specifically. Are there any
2 other issues that I have missed just so that we allow time in the discussion to pick
3 them up?

4 MR GRAEME BUNKER: Just a very brief one, Michael. When describing the Leeds
5 area I think we actually need to understand the implications from York to Leeds,
6 particularly after December 2004 with the proposed TPE standard timetable.

7 THE CHAIRMAN: Thank you.

8 MR STEPHEN RATTUE: There is one other issue which I have not seen mentioned in
9 any of the documentation at all and that is a risk assessment of the proposed
10 timetable, specifically in relation to level crossings and footpaths and so on.

11 THE CHAIRMAN: Thank you. That is essentially a safety risk assessment of the
12 proposed timetable.

13 MR STEPHEN RATTUE: Yes.

14 THE CHAIRMAN: Why would you think it would materially increase the risk?

15 MR STEPHEN RATTUE: I believe that some of the crossings on the route are
16 approaching the threshold which requires additional safeguards.

17 THE CHAIRMAN: I think that would be an issue where we would ask Network Rail, as
18 the duty holder for level crossings, to take that away and consider it, please.

19 Could we now move on to the issues around -- sorry.

20 MS JULIE BEBBINGTON: Julie Bebbington, Serco Railtest. One thing that we do
21 wish to raise is the fact that the new measurement train, which is an HST
22 formation, does normally go on the routes discussed at least once a week. We seek
23 clarification that Network Rail have in fact included this in their base timetabling.
24 Whilst we accept we have no FCRs (Firm Contractual Rights) because this is
25 running under an un-regulated TAA (Track Access Agreement), we must
26 remember that this is a Railway Group Stanadards requirement to operate this
27 train.

28 THE CHAIRMAN: Are Network Rail able to answer that one?

29 MR SIMON WHITEHORN: The simple answer is yes we have. We are fully aware of
30 the requirements that Network Rail has to provide pathways for NMT and they are
31 being built into the timetable that is being developed.

32 THE CHAIRMAN: Thank you. Are there any other issues anybody wishes to pick up?
33 In which case we will move on to Manchester Victoria and the Oldham Loop.

34 MR JOHN ROBERTS: Thank you, Mr Chairman. Picking up on Niel's introduction,

1 my first question is to the SRA with some input from Greater Manchester PTE, if
2 they wish, to update us on the issues surrounding the Oldham Loop: what is the
3 current likely date of withdrawal of heavy rail services from the Oldham Loop;
4 what is the likely pattern of services going to be after that date; and will any
5 additional infrastructure be required for the proposed service pattern, for example
6 additional new 'turn back' services?

7 MR GARY BACKLER: This is still in the hands of DFT and Greater Manchester PTE.
8 Our planning anticipates and the enablements that we have ensured are there is for
9 this to happen some time during 2005.

10 THE CHAIRMAN: Perhaps I could ask the PTE to respond.

11 MR PETER JOHNSTON: Peter Johnston, Greater Manchester PTE. As I understand it,
12 the most likely date for the closure of heavy rail services on the Oldham Loop is
13 now around Easter and no longer January 2005. So Easter is the likely date.

14 The likely pattern of future services is that the existing Manchester Victoria
15 to Rochdale via Castleton service will operate as a simple 'turn back'. I think Niel
16 Wilson might be able to advise about this, but I think there are some minor
17 modifications to infrastructure required at Rochdale but these are in consideration.
18 Thank you, Chair.

19 THE CHAIRMAN: Just to clarify that, are you relying on the Government Spending
20 Review or have you actually got the money committed and it is just a question of
21 being mobilised to do the work?

22 MR PETER JOHNSTON: As far as I know, we do have the money.

23 MR JOHN ROBERTS: A quick supplementary. Presumably it is possible for the
24 revised services to be incorporated into the timetable which Network Rail is
25 currently putting together, but if there are additional or revised 'turn back' services
26 required, is it expected that those will be in place by Easter?

27 MS BARBARA BARNES: I believe this is the first time we have actually had that
28 Easter date. The timetable work we have carried out so far on the proposed
29 Metrolink and the replacement of heavy rail services on the Oldham Loop have
30 been developed using the May '03 timetable specification. There have been
31 changes to the services of May '04 which have not yet been taken into account.

32 Based upon the latest estimate, which we now understand is Easter 2005,
33 which we knew was during the currency of the 2005 timetable process, any work
34 on the pathways for Grand Central services will take into account that proposed

1 change of use and will incorporate that within the wider work stream on the
2 Trans-Pennine timetable we are putting together.

3 MR JOHN ROBERTS: Yes. I am getting a bit of a mixed message there, that there may
4 be a requirement for additional infrastructure. If that is the case, that really needs to
5 be brought out. Can somebody clarify whether that is likely to be the issue and
6 whether it is likely to be on the critical path to withdrawing the services?

7 MS BARBARA BARNES: I am afraid I cannot comment on that because I do not have
8 that information at the moment. We can come back to you at a later stage.

9 MR NIEL WILSON: Niel Wilson, First North Western. I can only report the
10 information which the train company has, and that is that the Easter date which I
11 have just heard in the room today is the first time I have heard that date in public.
12 The bid for the 2005 timetable was made on the basis that no change was bid to the
13 services which currently operate on the Oldham Loop so that will have to be dealt
14 with as short term or by another method.

15 There has been no Network change issued which shows any proposal to
16 change the existing infrastructure at Rochdale. What would be left if the Oldham
17 Loop was to be removed without any further changes to the Network would be
18 essentially just a single cross-over and the Rules of the Plan requirement is for
19 thirteen minutes allowance to cross over.

20 If we were to get a formal request to terminate the services, then we would
21 approach Network Rail and we would attempt to develop an iterative service
22 package. We would ask you to note, however, that when these discussions were
23 taking place about a year ago, it was an aspiration by GMPTE that services might
24 continue beyond Rochdale towards Yorkshire and Network Rail were unable to
25 provide a standard hour timetable showing a path beyond Rochdale because of
26 capacity.

27 MR JOHN ROBERTS: Thank you for that. Could I move on to my second topic area,
28 again to the SRA. What changes do you expect to make to the Northern franchise
29 which could affect the paths proposed for Grand Central either before or after
30 December 2004?

31 MR GARY BACKLER: We are not planning any changes to the Northern services
32 until the December 2006 timetable. The changes made at that timetable would
33 depend on the review of services that is included as a fundamental part of the
34 franchise proposition itself for Northern.

1 We are working in real-time actually on changes to the Leeds/Sheffield
2 services. We are working to introduce those in December 2004, if that was actually
3 the thrust of your question.

4 THE CHAIRMAN: Just to clarify that, what are you now proposing to do between
5 Sheffield and Leeds?

6 MR GARY BACKLER: We are working on the possibility of introducing accelerated
7 services between Sheffield and Leeds from December 2004. They would involve
8 the transfer of some services from Westgate to Kirkgate, using Kirkgate as the
9 terminating point, and routing via Barnsley.

10 MR PHILIP BENHAM: Yes, it is in line with the proposals that were bid at the
11 Timetable Conference to introduce a semi-fast service between Sheffield and
12 Leeds on a basically hourly frequency, calling at Barnsley and at Wakefield
13 Kirkgate. There are three concurrent fast services between Leeds and Sheffield that
14 would be withdrawn and some other changes around the Wakefield area. As I say,
15 this again is in line with what was proposed at the Timetable Conference.

16 MR JOHN ROBERTS: Is that the same service as the Nottingham service that is
17 suggested in the Midland Main Line Route Utilisation Strategy (RUS) and, if not,
18 are there any other outputs from the RUS which might affect the Grand Central
19 corridor?

20 MR GARY BACKLER: We anticipate that the fast Sheffield/Leeds services would be
21 extended to Nottingham. There are no other outputs of the RUS, we believe, that
22 would specifically impact here.

23 THE CHAIRMAN: Perhaps I could just ask Network Rail whether, in their view, that
24 extra service in and out of Leeds might have an impact on the timetable that has
25 currently been produced. Has there been any consideration of that thus far?

26 MR SIMON WHITEHORN: There has been, to date, no detailed consideration in
27 drawing up the timetable that has been presented. We are well aware of the SRA's
28 and ATN's requirements to run this additional service and there is no doubt that
29 further work would have to take place, particularly in the Kirkgate to Leeds
30 corridor to examine the effect on the Grand Central pathways that have been
31 provided, but they have not specifically been taken into account in work done to
32 date, but we are well aware of them and we will have to do some further work in
33 line with the December 2004 timetable.

34 THE CHAIRMAN: I wonder if Grand Central want to comment either on the

1 Manchester Victoria concerns or the Leeds concerns, and then we will move on to
2 the East Coast Main Line.

3 MR WARREN BREEZE: Thank you. Just to refer back to the issues about Manchester
4 Victoria, colleagues from Arriva Trains Northern are citing an average journey
5 time of 98 minutes going to 99 minutes. I would just raise the question whether, in
6 fact, even if that were to be the case, whether it fell within the scope of the
7 provisions from December 2004 that have been put into the new Arriva Trains
8 Northern Access Agreement. It may be an aspect worth exploring.

9 THE CHAIRMAN: Thank you.

10 MR WARREN BREEZE: If I could just comment on the issues of Wakefield Kirkgate,
11 we believe, for our part, that the service that the SRA are talking about can be
12 accommodated there and, in fact, it does actually offer further passenger benefits
13 through improved connections and makes better use of the station for which, as I
14 think we advised your office, we do have wider plans.

15 THE CHAIRMAN: Thank you.

16 MR VERNON BARKER: Vernon Barker, First/Keolis Trans-Pennine. I possibly
17 missed the answer to the first question; were they able to accommodate services
18 into platforming at Victoria with confidence?

19 THE CHAIRMAN: At the moment we seem to be saying that there is an issue there that
20 would need to be addressed. I do not know if Network Rail can say any more at
21 this stage about that.

22 MR SIMON WHITEHORN: There is no doubt that from the 2004 timetable, issues at
23 Manchester Victoria will need to be addressed. The pathways that we have
24 provided for Grand Central, based on the current May to September timetable, do
25 not require any stabling outside of the station itself. There are facilities at Hope
26 Street sidings to turn rolling stock around and, no doubt, from the December 2004
27 timetable, with the advent of changes on the Metrolink, those are options that
28 would have to be explored to accommodate the capacity and make sure the
29 capacity of the station is managed accordingly.

30 THE CHAIRMAN: At some point, if the Regulator concludes that this ought to go
31 forward, then clearly there will need to be clarity from Network Rail as to how
32 these various things can be accommodated and I think we may need to have a
33 separate discussion with Network Rail and other parties just to talk through the
34 details of the Manchester Victoria and Oldham issues and how they impact on

1 Grand Central.

2 MR WARREN BREEZE: If I can just further clarify that, I would add that we were
3 delighted to see that we did have platform occupation during turnarounds at
4 Manchester Victoria; however, I would point out that it was not actually our
5 absolute expectation on our part and, in discussions with Network Rail, we had
6 made some assumptions about other operating arrangements at that station in our
7 initial plans.

8 THE CHAIRMAN: Are you able to tell us what they were?

9 MR WARREN BREEZE: As I think Simon has just pointed out, there are siding
10 facilities there at the station. Part of our expectation initially was that they would
11 perhaps be utilised in the operation of services in and out of Manchester Victoria.
12 As it was, we were very pleased to see the plan that is currently presented allows
13 the services to occupy the platform between arrival and departure.

14 THE CHAIRMAN: Okay. Are you sure the Hope Street sidings are long enough, my
15 experts ask?

16 MR SIMON WHITEHORN: This is an area that has been under study for quite some
17 period of time since Grand Central first approached Network Rail about running
18 services and, yes, we have confirmed that they are able to hold a 2+5 formation of
19 an HST.

20 THE CHAIRMAN: Thank you.

21 MR JOHN ROBERTS: Moving on to the East Coast Main Line proper and picking up
22 Gary's point about the publication of the East Coast strategy, could you tell us
23 when the timetable that that strategy foresees is likely to come into effect and what
24 it will do in terms of releasing capacity on the East Coast Main Line?

25 MR GARY BACKLER: The timetable is intended to come into effect in
26 December 2005. The principal impact or the principal improvement that we are
27 looking to effect there is to move the timetable to a regular interval service, to a
28 repeated hourly pattern to improve both capacity utilisation and robustness.

29 *[Post hearing note: Philip Benham has subsequently advised that the current*
30 *intention is for this timetable to be introduced on a phased basis starting in*
31 *December 2005 – although it is hoped that the main standard hour elements will*
32 *apply on the northern end of the route. Until the ECML strategy proposals have*
33 *been published and agreed, this cannot be absolutely confirmed]*

34 THE CHAIRMAN: Perhaps I could ask Network Rail, in its job of managing the

1 Network, what sort of assumptions it has going forward in terms of additional
2 usage on the East Coast Main Line, North of York, particularly between
3 Northallerton and Newcastle? Is it thinking in terms of additional GNER services
4 or in terms of additional Cross Country services or what?

5 MR SIMON WHITEHORN: As things stand at the moment, I certainly have received
6 no information from any operators about additional services North of York. We are
7 actively engaged with the SRA in developing their route utilisation strategy for
8 implementation in December 2005 on a standardised hourly timetable.

9 There is no doubt, from a timetable perspective, standardisation and regular
10 flighting of services is a bonus to freeing up capacity and there is no doubt, from
11 the work we have done to date, that regular flighting of services running at similar
12 speeds over that section of route will only add to the ability to provide future
13 capacity for growth should it be required.

14 THE CHAIRMAN: I wonder if perhaps the SRA could say a little bit more about what it
15 sees as being the likely impact of the strategy for the north end of the East Coast.

16 MR GARY BACKLER: Our primary concern has been to get robustness and reliability
17 into the timetable. It is not necessarily about generating additional capacity; it is
18 about primarily making sure that what we anticipate to be there will operate
19 robustly and reliably.

20 Obviously we have already taken some steps, with the Arriva Trains
21 services, to try to ensure that there is more compatibility, if you like, more
22 similarity of rolling stock types and rolling stock characteristics, in particular on
23 that section of line. So we have taken steps to get the 142s off there and that is a
24 principal benefit that we believe can be gained from that.

25 THE CHAIRMAN: I guess the point for Grand Central is that Grand Central potentially
26 fits quite well in to the pipeline because it has got compatible rolling stock.

27 MR GARY BACKLER: Yes. We just question, I guess, two aspects of it really. If we
28 are looking for standardised hourly patterns, at one level it is not clear to us how
29 four trains a day fit into those standard hourly patterns. Secondly, the purpose of
30 the changes that we are making and the strategic thrust of our approach to East
31 Coast is to put reliability into a Network that is extremely valuable in terms of
32 transport infrastructure. That is our key concern and we do not want to jeopardise
33 that unnecessarily.

34 THE CHAIRMAN: We will talk about performance generally in a minute. Is the

1 proposition, however, that as part of the strategy there may be additional GNER
2 trains or additional Cross Country trains, as we have heard suggested North of
3 York?

4 MR GARY BACKLER: Our anticipation at this stage is that there will not be
5 additional services, but that we will put in probably two East Coast services, two
6 Cross Country services and one Trans-Pennine service per hour. That is what we
7 are aiming at, and to do that on a repeated hourly basis.

8 THE CHAIRMAN: So that is an extra Cross Country train compared with the present?

9 MR PHILIP BENHAM: It is generally not an extra train, although it is true to say that
10 at the moment not all the Virgin Cross Country trains can be pathed through to
11 Newcastle beyond York or Darlington. That is being sorted out this year, so it will
12 be reflecting that pattern forward of two trains on the York/Newcastle axis
13 throughout.

14 MR JOHN ROBERTS: Just to clarify, when you say one Trans-Pennine you are talking
15 about that section and there is another Trans-Pennine that goes off to
16 Middlesborough, is that correct?

17 MR PHILIP BENHAM: Yes, that is correct. This is a Newcastle service through on to
18 Trans-Pennine in addition to the ones that run through to Middlesborough or to
19 Scarborough.

20 THE CHAIRMAN: Before I ask about freight, perhaps Graeme Bunker might want to
21 comment.

22 MR GRAEME BUNKER: Yes. Just to assist, there are approximately four to five trains
23 in the total day which we would seek to run from Newcastle, which are either
24 starting at York or starting at Darlington, using the Summer 2004 timetable as the
25 base. Certainly in the preliminary work we have been involved in, the SRA's
26 aspiration for a standard hour timetable would resolve that problem that we
27 presently have.

28 THE CHAIRMAN: Thank you. Could I ask Network Rail to comment on what
29 assumptions it is making about future freight demand on the East Coast Main Line
30 between York and Newcastle and particularly, again, on the section between
31 Northallerton and Newcastle, and I think particularly in that context of changes in
32 coal carrying.

33 MS BARBARA BARNES: We are building into our timetabling process declarations
34 that our customers have made. As you know and as I know very well, freight

1 forecasting is exceptionally difficult and determining what is going to happen in
2 the future is very hard, even for the freight operating companies.

3 In terms of coal, that has been the subject of many discussions between
4 ourselves and your office and our customers as to what is likely to be required. At
5 the moment, coal activity from Scotland to the Aire Valley tends to use the West
6 Coast Glasgow and South Western Carlisle as an axis. We tend not to have coal on
7 the East Coast Main Line, although there is that opportunity if customers wish to
8 avail themselves of the provisions within their access contracts. But at the moment
9 we are not assuming any additional coal moving on the East Coast Main Line.

10 THE CHAIRMAN: Do the freight operators wish to comment on that?

11 MR NIGEL OATWAY: Freight relies on white space to grow its business which can
12 come at any time in all shapes and forms. In forecasting our requirements, I think
13 we have always planned on the basis that we would envisage at least two paths per
14 hour in each direction on the route between Newcastle and Northallerton, which I
15 must say that since Grand Central's proposals now terminate at Manchester, is the
16 route section that holds the most concerns for us in terms of capacity.

17 We would like to understand from Network Rail about the availability of
18 white space following the introduction of Grand Central's services. We particularly
19 have noted in the timetable evaluation, that two of Grand Central's eastbound
20 services spend six minutes standing on King Edward Bridge awaiting a platform.
21 Standing on the East Coast Main Line for six minutes can destroy the ability to get
22 a freight path up the East Coast Main Line through Newcastle. So we would like to
23 understand more about the remaining white space left for freight to bid into.

24 MS BARBARA BARNES: I think we are willing to take this away and talk further
25 with EWS about it. Certainly at the moment, the number of paths that we have
26 available for freight traffic do not get used on a regular basis and there is capacity
27 available in the paths that are currently in the timetable, so we need to do some
28 more work with them on that.

29 THE CHAIRMAN: Thank you. Perhaps I could just ask the SRA what assumptions they
30 have made in the draft East Coast strategy?

31 MR GARY BACKLER: Our base assumption is that it continues as it is but, again,
32 obviously we are looking to create and ensure that the operators can exploit
33 opportunities for growth as they emerge. Clearly we have an objective to promote
34 the use of the Network for freight and that applies between Northallerton and

1 Newcastle.

2 THE CHAIRMAN: Is there an assumption of one or two standard freight paths an hour
3 or something like that?

4 MR GARY BACKLER: I believe it is two paths per hour. I think that is the
5 assumption.

6 THE CHAIRMAN: Just out of curiosity, what are their characteristics; are they 60 miles
7 an hour or 75 miles an hour or what?

8 MR GARY BACKLER: I am sorry. We would have to come back to you on that
9 specific.

10 THE CHAIRMAN: What would be the freight requirement in terms of the two paths you
11 were talking about, Nigel?

12 MR NIGEL OATWAY: Generally for 60 mile an hour capability, although we do
13 operate some very heavy and slow moving oil services to and from Jarrow oil
14 terminal which can weigh up to 2,800 tonnes.

15 MR PAUL HADLEY: Just to perhaps draw a line underneath the freight discussion,
16 and noting that forecasting is a very difficult task even for the Regulator's Office,
17 are there any structural changes in the market place, for example, associated with
18 the run down of the Selby coal field, expiry of power station lives, changes in the
19 steel industry, that are known about by anybody here that are likely to impact,
20 either up or down, in the volume of freight to be moved over the East Coast Main
21 Line, please?

22 MR NIGEL OATWAY: None that I would wish to report on at the moment, Paul, but I
23 would say that the East Coast is a very important Anglo-Scottish route and should
24 capacity become very constrained on either the Settle and Carlisle or the West
25 Coast, the East Coast presents a very good alternative to move freight to and from
26 Scotland.

27 MR PAUL HADLEY: Thank you.

28 THE CHAIRMAN: Can I now move on to performance. What we are talking about here
29 is a set of routes that have actually got quite a lot of trains on them. Therefore the
30 overall impact of introducing new trains, a small number of additional trains may
31 not be all that huge. I think that was certainly the implication from the modelling
32 work. However, that will be critically dependent on the reliability of the services
33 that operate because clearly if services are unreliable, they will introduce a lot of
34 unreliability into a busy service.

1 I think it is very much a question for Grand Central first. What are you
2 doing to ensure the reliability of a 'two trains out of three' operation with 35-minute
3 turnarounds?

4 MR IAN YEOWART: Thank you, Chairman. Initially it will actually now be a 'two
5 train out of four' operation. We will be leasing four HSTs. Each set is already
6 booked. We have got space provisionally booked in works, both for complete
7 power car overhaul and reliability modifications, many of which First have
8 undertaken on the Great Western fleet which have had obviously beneficial
9 outputs. The rolling stock as well, the carriages will all go in and have a huge
10 number of reliability modifications.

11 The sets, when they come out of works, will basically come out of works as
12 new, so there will be zero mileage to start from there. They will come out one at a
13 time and not be put into operation until the fleet is ready, and capable of operating,
14 so we will not take one out and use it with an unrefurbished set. It will give us an
15 opportunity during the training period to iron out any problems that may or may
16 not have been picked up from the re-engineering that has been undertaken.

17 THE CHAIRMAN: Just to clarify, you said initially you will have four trains. The logic
18 is that at some point you will have three, or indeed five.

19 MR IAN YEOWART: Yes. Initially, sorry, we need two trains to operate the timetable.
20 We have an agreement in place to lease four sets from the beginning of operations
21 and that obviously allows us not only capacity at the beginning but also to look at
22 future opportunities as and when they arise. One of the difficulties with the
23 industry, as everybody finds out, is actually procuring the rolling stock in time to
24 run the service at a date which you said you would like to run that service.

25 Certainly East Coast services running at 125 miles an hour have less of a
26 performance impact than, for example, a train running at 100 miles an hour, and I
27 think that was properly debated in 1999 when the decision was made for GNER
28 extension and the Hull Trains' service.

29 MR PAUL HADLEY: Can I ask a question about the operational resilience of Grand
30 Central's capability. Having trains that do not break down very often is clearly a
31 benefit, but things like the ability to divert on to alternative routes, of which there
32 are quite a number particularly in the Leeds and Trans-Pennine area, can make a
33 material difference to recovery from Network disruption. Can you please tell us a
34 little bit more about what your strategy is in that area, please?

1 MR WARREN BREEZE: Yes, certainly. This question has been raised with us quite
2 recently and we have advised your office of the routes which we see we would
3 wish to hold rights over for diversionary purposes. I think those have been advised
4 to your office in the last couple of weeks.

5 MR PAUL HADLEY: Is there any reason why you cannot share that information with
6 the other people here?

7 MR IAN YEOWART: Initially, and I think Philip will confer, we did book
8 diversionary routes or were prepared to put diversionary routes in the application
9 but it was felt that we would wait and see, as the Network developed, where the
10 best diversionary routes would be for us.

11 It would be the standard routes which is the Durham Coast which may or
12 may not in the future, of course, be shown as a diversionary route for us; via
13 Castleford into Leeds and across Diggle. All of these, of course, are subject to
14 Network capacity at any particular time.

15 Part of the training programme and the lead time before operation will
16 allow us to ensure that crews not only have the necessary route knowledge, but as
17 part and parcel of their daily operations they will get the opportunity, through a
18 rostered turn, to be across those routes to ensure that we never lose the capability
19 to operate the diversionary routes.

20 MR PAUL HADLEY: Thank you. That is a far more reassuring answer.

21 MR ROBIN DAVIS: Robin Davis, GNER. A question: you said you use two train sets
22 in service a day but, to me, it looks like three. Could you explain how that works?
23 The point in question is in relation to the early evening arrival in Newcastle, just
24 some clarity on that, please.

25 MR IAN YEOWART: You are absolutely right, Robin. The evening arrival at
26 Newcastle is deliberately designed to turn the fleet, switch the fleet there to keep
27 the fleet balanced because in an evening, and necessarily wherever the
28 maintenance is, we need to keep the fleets done correctly, of which I am sure
29 Robin is well aware.

30 There will be a change over of a unit at Newcastle for the last departure
31 from Newcastle in an evening.

32 MR ROBIN DAVIS: So in essence you need three sets available per day?

33 MR IAN YEOWART: Yes, you could argue that we need three sets to be able to make
34 that move at the end of the day, but that was at our request, to be fair to Network

1 Rail, to move the service forward slightly to make the pattern and the gaps between
2 services a little bit easier for passengers to understand.

3 MR JIM MORGAN: Jim Morgan from Hull Trains and also First Group! I have been
4 having some discussions with First Great Western about HST maintenance and the
5 upgrade packages in connection with another matter, and I think it is very
6 interesting to notice that one of the HST operators in this country achieves miles
7 per casualty, probably 60% of what the other two achieve. If Grand Central are
8 going to achieve the level of performance that they state and that the industry
9 requires, I think it is critical that the maintenance of their HST fleet is done at a
10 depot where the staff are competent and know what they are doing.

11 So I think it is all very well to say "MERIT says this..." and that,
12 presumably, will rely on GNER's reliable fleet of HSTs to give a benchmark. I
13 think it is critical that we actually do understand where the maintenance is and we
14 can validate that the MERITs are actually accurate.

15 MR WARREN BREEZE: Thank you. If I can just say that there is no, and there can be
16 no, question about whether HST maintenance is undertaken by competent
17 personnel. It is a legal requirement; it goes back to our safety case.

18 As to where the maintenance will be undertaken, we have advised The
19 Office of The Rail Regulator about the two options that are presently under
20 consideration. They are tied up with commercial negotiations that are still taking
21 place. My personal view would be I do not know that there is a lot of mileage, if
22 you pardon the pun, in getting too tied up with what have been some significant
23 concerns about the performance of one particular HST fleet on the Network. It is
24 part of an exercise which, from a maintenance point and from a reliability point of
25 view, has obviously not gone very well, but I for one do not particularly wish to
26 dig over the bones of that particular exercise unless it is really felt to be beneficial
27 for the purpose of the hearing as to what went wrong.

28 THE CHAIRMAN: Right. We understand the issues that you are talking about. Do
29 Cross Country want to comment?

30 MR GRAEME BUNKER: Just one of the concerns we have, having had a reasonable
31 amount of experience with HSTs - and that is why we got rid of them! - and
32 recognising that somebody was referring to the Voyagers not being that good.
33 They are the most reliable thing around and we are obviously concerned about
34 other equipment on our routes which is less reliable.

1 We do have a concern around the amount of time taken and the financial
2 costs of providing a fleet which we might describe akin to GNER's refurbishment,
3 and also now where Midland Main Line are directing their efforts.

4 Also the suitability of HSTs on the routes that they would be operated over
5 to maintain the kind of reliability figures that GNER see, HSTs were never
6 designed to do what is being proposed. We found that we had the biggest challenge
7 of reliability with Cross Country, which is a similar style of operation, and the
8 nature of the maintenance and the way that you address HST reliability on a Cross
9 Country style of operation is somewhat different to that, for example, running
10 between London and Edinburgh.

11 MR IAN YEOWART: It is a good point that Graham makes, but as well as the
12 re-engineering, as we did say earlier, it is the reliability modifications, which were
13 never made to the Virgin Cross Country fleet, that would actually help to improve
14 performance.

15 They were originally - and again he is correct - not built and designed to do
16 the type of work that many of them have found themselves doing, but for many
17 years they have gone to Penzance with a mix of fast and slow running, very similar
18 to the type of operation that we will operate across the Pennines.

19 So the HSTs, when we get them, when they come out of works will be
20 unrecognisable from the things that have gone into works currently.

21 MR GRAEME BUNKER: Sorry, if I could just follow up on that point. I am familiar
22 with the First Great Western figure which is not actually that good. We are looking
23 at introducing something and you might do well at 6,000 miles per casualty, maybe
24 7,000 miles per casualty, but that does not compare very well with the sort of new
25 DMU performance we are getting from Voyagers and the new Siemens units.

26 So I think even if with all that work, HSTs are not that good. I think that
27 needs to be borne in mind.

28 MR IAN YEOWART: I think it is quite important as well to remember that the current
29 HST fleet is also to be redeployed into other parts of the First operation to boost
30 the services into South Wales and rightly supported and lauded by the SRA.

31 Our position with HSTs has been consistent since we identified their
32 release many years ago, and the fruition of putting these vehicles through works to
33 get them out in a more than acceptable condition and better than they have been for
34 many, many years must not be lost at this time.

1 THE CHAIRMAN: I think that is entirely understood. Do you have any commitment
2 from the rolling stock company in terms of things like miles per casualty that will
3 be generated?

4 MR WARREN BREEZE: Yes. If I could just say we were asked the specific question
5 as part of the exchange of correspondence in the last few weeks about the extent to
6 which we believed our rolling stock would achieve a miles per casualty rate more
7 akin to First Great Western's services as opposed to the Rio fleet as being operated
8 at the present time.

9 The response we gave then, and the response we can give now, is that we
10 have checked the technical specification and we are advised by our HST rolling
11 stock expert that the technical specification of the work that will be undertaken is
12 akin to the specification of the First Great Western sets as opposed to the Rio fleet.
13 As we have flagged up already, there have been particular problems with how the
14 Rio work was undertaken and in what, to be blunt, was a very piecemeal fashion.

15 MS JULIE BEBBINGTON: I would just like to point out that Serco Railtest currently
16 operates three refurbished HST power cars on the NMT set which went in for an
17 awful lot of refurbishment and came out of works in what was alleged to have been
18 a very well maintained state. I am not sure whether many people in this room are
19 aware of the reliability we have from those HSTs, but it is fair to say it is extremely
20 low.

21 We had a complete failure on the East Coast Main Line only three weeks
22 ago where both power cars failed. We were also given assurances by the particular
23 maintainer that this would not happen. It also needs to be borne in mind that we are
24 currently struggling to get a reliable maintainer to maintain the fleet on our behalf,
25 although we do not have a direct contact with the maintainer, it is actually procured
26 through Network Rail and it is very, very difficult to get somebody to maintain a
27 very aging fleet for you.

28 MR WARREN BREEZE: Sorry, I do have to come back on that particular point and I
29 think I am going to stray into an area which, if I may, could I ask, I would not be
30 comfortable if this were repeated outside of this room.

31 THE CHAIRMAN: Sorry. Because this is a hearing where we are taking a transcript, I
32 think if you want to do that, put that in writing. I think you should assume that this
33 will go on the website.

34 MR WARREN BREEZE: Okay. I shall pick my words carefully, then. We were

1 approached by Porterbrook Leasing and asked to waive our rights under our
2 contractual agreement to permit the transfer of certain assets which were going to
3 form part of the network measurement train. We were advised of certain issues
4 surrounding those assets and why we may not want those assets as part of our fleet.

5 I have already gone on the record in correspondence recently with the ORR
6 to state that we have been told by Porterbrook that with the exception of fitting
7 cameras, some re-painting and some corrosion works, those assets were delivered
8 for operation to Serco with negligible work having been undertaken. It was our
9 view that there would be a problem before they started operating. They have been a
10 problem since they started operating and I have given some specific dates in
11 correspondence to Brian as to when the real work is starting to be undertaken to
12 those power cars and some of the work is yet to be undertaken.

13 THE CHAIRMAN: I do not particularly want to get into the whys and wherefores of the
14 measurement train. I think the key issue to be satisfied - and we will need to
15 consider this - is that you have got adequate arrangements in place.

16 Can I just ask Network Rail perhaps to comment briefly on what they have
17 heard in terms of performance and reliability; what will you be doing, if this
18 agreement is approved, to manage the performance of these services?

19 MS BARBARA BARNES: We will manage the performance of these services in the
20 way that we manage the performance of all our customers, in no different manner
21 whatsoever. Providing the customer has satisfied his safety case and all the other
22 licence obligations that he has when he enters into the Track Access Agreement
23 with us, the performance regime will apply.

24 THE CHAIRMAN: Thank you. I think we have, in other cases, said to Network Rail
25 that perhaps you ought to be looking at specific actions to address performance risk
26 on the Network because that is your job, but I just wondered if there were any
27 particular things that you would expect to do, given this?

28 MS BARBARA BARNES: I am not aware of anything specific at the moment and we
29 certainly would not wish to deal with any one customer in a different way to any
30 other customer. I do not feel I can comment on that further at this stage.

31 THE CHAIRMAN: Okay. Thank you. Vernon Barker?

32 MR VERNON BARKER: My point actually goes back to Barbara's initial comments
33 that the performance modelling actually showed an immaterial shift in minutes
34 caused to other TOCs. I am also particularly concerned that a one per cent move on

1 the moving annual average for other TOCs on period 12 was cited as not material, I
2 think for all TOCs, to make a one per cent move on the annual average is actually a
3 considerable movement.

4 I am keen to know where the predominance of those delay minutes actually
5 falls, either on a geographic basis or a TOC-caused basis. But then a one per cent
6 shift on the moving annual average of all other TOCS caused by eight trains a day,
7 and we run 260 on Trans-Pennine, and obviously there is about 60 or so a day on
8 the East Coast Main Line.

9 I would suggest this is incredibly disproportionate to what we will later be
10 talking about as a passenger benefit and a considerable disbenefit to the rest of the
11 Network.

12 If I may, is it possible to have further details on the performance regime
13 which will apply to Grand Central and how that may or may not differ to the other
14 TOCs operating?

15 THE CHAIRMAN: Clearly the assumption we would have is that the performance
16 regime would be similar to the performance regime elsewhere for other operators. I
17 do not know if Grand Central want to comment on that.

18 MR IAN YEOWART: Just to say, Chairman, that we expect to be measured in exactly
19 the same way as everybody else is measured: on our performance.

20 THE CHAIRMAN: Thank you.

21 MR VERNON BARKER: I was actually going to say, have we seen the performance
22 regime?

23 MR BRIAN HOPKINSON: No, it has not been fully developed. We have taken the
24 view that we would not do any work on the draft contract that was submitted until,
25 and if, it was likely that the Regulator would decide to grant rights to Grand
26 Central.

27 THE CHAIRMAN: But the Regulator has set out in quite clear criteria the performance
28 regimes which are expected to be adopted in these cases; that is about making sure
29 that both parties are incentivised to manage and improve performance.

30 MR ROBIN DAVIS: A point I was going to make before but I will follow on from the
31 comment that Vernon has made, was in terms that GNER is quite heavily quoted in
32 Grand Central's documentation and a comment I will quote from this is, "GNER
33 should be applauded for the work they have undertaken to develop the reliability of
34 HSTs."

1 Following on, "The reality is that all rolling stock deserved detailed
2 attention and maintenance. So much has been learned about the areas of weakness
3 which require priority, refurbishment or re-engineering to ensure long-term
4 reliability."

5 I thank Jim for his kind comments about the reliability of our HST fleet. I
6 am just interested in where we are quoted, why Grand Central does not aspire to
7 the reliability of our fleet as opposed to that of First Great Western, particularly as
8 we are looking at HSTs operating over the East Coast Main Line, so surely we
9 should be looking at hopefully achieving this level of reliability for HSTs, whoever
10 they may be operated by over this piece of network.

11 A third point, and I am not sure if it was answered, about the performance
12 modelling and the assumptions about what the performance of the fleet was in the
13 MERIT runs.

14 MR WARREN BREEZE: If I may just say, my colleague has obviously been taking a
15 peek at perhaps Brian Hopkinson's correspondence file because I think the
16 comments he just made are mirrored in my comments in a recent letter, that based
17 upon the technical specification it was entirely realistic to expect performance
18 characteristics in line with First Great Western, but we clearly saw an aspiration to
19 match those of the GNER fleet.

20 We are very conscious in making all responses that come in connection
21 with this application, that we are seeking to be realistic at every stage with all of
22 our aspirations and responses.

23 THE CHAIRMAN: Thank you. I do not know if Network Rail wish to comment on the
24 performance modelling and the assumption made about fleet reliability.

25 MR SIMON WHITEHORN: I think it is very important to make it absolutely clear so
26 everybody understands what MERIT is and what the tool does. I do not wish to
27 prolong the hearing with detail about the ins and outs of MERIT.

28 The results shown in the performance modelling report are only used to
29 highlight the performance of a TOC, service group or an individual train. This can
30 be either for an existing timetable or for a new one. The results, when shown
31 together, can highlight locations where there has been a change in performance.

32 For the purposes of the Grand Central performance analysis, there are no
33 services to compare with. We have not got, in the base timetable, other existing
34 Grand Central services to do that analysis against. So we are only comparing the

1 addition of the Grand Central services on the base timetable for Summer 2004 with
2 existing operators.

3 Therefore, the results that are provided focus on where there is variability
4 between locations that are close to each other, and to answer Vernon's earlier point,
5 the main areas for concern in terms of locations are on the Calder Valley route. The
6 way in which MERIT models absolute block signalling means that there is likely to
7 be a greater emphasis in terms of predicted delay.

8 It should be remembered, however, that the absolute figures are caveated
9 against the assumptions that are made in the report and the results do not show
10 what will happen in terms of exact values. MERIT is only a comparative tool. It is
11 more of a guide to show what could happen and, if such an occurrence occurred,
12 how severe this could actually be. All the values contained in the report are only
13 purely predictive figures based on MERIT outputs.

14 THE CHAIRMAN: Thank you. I am conscious of my own PPM target that we have now
15 missed. What I propose to do now is to break for some coffee but, given that
16 incentive, I will let Gary Backler and then Graeme Bunker make any final
17 comments.

18 MR GARY BACKLER: From the SRA's perspective, I would just like to point out that
19 the information shown in the timetable analysis report, dated 26th March, showed
20 actually a 2.96% increase in delay minutes overall of introducing these services.
21 That is the statement anyway.

22 I would have to say, from the SRA's perspective, we are obviously very
23 concerned about the quality of performance of the industry as it stands today. The
24 franchises impacted by Grand Central's services, in particular Cross Country where
25 we, the industry, have just come out of a long exercise to put robustness into Cross
26 Country's services because it was clearly demonstrated from 2002 that delays on
27 Cross Country have a great propensity to be rippled out across the Network. We
28 would be very concerned by increased performance risk to Cross Country services.
29 We would be concerned about the risks of performance deterioration on one part of
30 the East Coast Main Line which, again, can ripple out along a long segment of the
31 railway, all the way from King's Cross to Inverness and also, crucially, the
32 Trans-Pennine operation, by its very nature, is a very densely networked operation
33 and, again, it will have the performance characteristics of Cross Country where any
34 lack of robustness will ripple out on to other operators.

1 So we are crucially concerned that whilst there appears to be some
2 inconsistency actually between the one per cent and three per cent that is being
3 talked about here, even though they may sound like small numbers, we do not
4 welcome any increase in the fragility of services in such a heavily interworked
5 area.

6 THE CHAIRMAN: I suppose the logical corollary to that question is, if that is so
7 important why aren't you looking at taking off something like four Trans-Pennine
8 services? We are talking about four a day. If the effect is quite big, it is something
9 we should be looking at. Alternatively it might not be all that big.

10 MR PHILIP BENHAM: The services that are currently running are part of a regular
11 pattern and, indeed, they are going to be made even more so later this year. They
12 are well used and I think to start saying that one would just willy-nilly take out the
13 odd train here or there would be counter to what we are trying to do. The aim is to
14 create a regular pattern that will actually build in more robustness, not less. That is
15 contrary to what will happen with Grand Central, namely four trains off pattern.

16 THE CHAIRMAN: Thank you. Everyone will get a chance to talk further after the
17 coffee break, but I will take Graeme Bunker and then we will break.

18 MR GRAEME BUNKER: Thank you, Chairman. It is around the modelling of MERIT,
19 and I am glad Gary raised the issue of the three per cent figure rather than a one per
20 cent difference on PPM. I think a three per cent increase in minutes for MERIT is
21 of great concern.

22 The second thing is I do not believe MERIT has modelled the National
23 Network. I believe it has modelled a geographical area because that is the limit of
24 the tool, and that is no criticism of anybody.

25 We are, along with colleagues in TPE, most heavily affected in the specific
26 trains which attract delay. Whatever is in the MERIT model, we know from our
27 own experience we could probably treble on our own services just because of the
28 impact of what it does at Sheffield, what it does at Birmingham, what it does in the
29 West Country.

30 I believe, to quote the minutes figures, yes it is a very good start in the
31 geographical area but it is only the start of the actual effect of what it will do to the
32 wider Network, as Gary has examined. So I guess the question is, (a) is Manchester
33 Piccadilly in the MERIT geography because of the massive implication that has on
34 TPE. Any minor late running by TPE at Piccadilly will affect an awful lot of trains

1 an awful lot of the time; and secondly, how the national picture is likely to be
2 considered by the Regulator in looking at performance?

3 THE CHAIRMAN: I can assure you the Regulator will look at it from a national
4 perspective. Clearly, one of the things we will want to understand before reaching
5 a decision is the overall impact on the Network.

6 What I would like to do now is to break for coffee for fifteen minutes,
7 please, and be back in here at ten to twelve. Thank you.

8 (A short break at 11.36 a.m. and resumed at 11.55 a.m.)
9

10 THE CHAIRMAN: What I would like to do now is to move straight into the issues
11 around the revenue from the services, where it is coming from, and the benefits to
12 passengers of the services.

13 I would like to begin by asking Grand Central where do you expect to get
14 the revenue from; is it from new to rail business, is it from modal shift, is it from
15 newly-generated trips? Perhaps you could tell us a bit about how you expect to get
16 the sort of revenue you are forecasting.

17 MR WARREN BREEZE: I think our view is that it is a mixture of trips which are not
18 made at the present time, which will be facilitated by new and improved journey
19 opportunities; it will be increasingly through modal shift; and also through
20 bringing on to the Network a number of stations which presently do not have
21 Cross-Pennine rail services where we expect to see significant growth at those
22 particular points.

23 THE CHAIRMAN: If we start with the new trips that are not being made at the moment.
24 What is the sort of vehicle by which they are likely to be generated? Is it because
25 there will be a transport opportunity between points that don't currently have one,
26 or is it other things?

27 MR WARREN BREEZE: I think the view that we take is that there is a significant
28 number of people across the North of England who feel that the rail services that
29 are presently on offer, for a variety of reasons, do not meet their needs and I think
30 that they are ripe in the market place, if I can use that phrase, to be attracted to a
31 radically different proposition and level of service in the sort of Cross-Pennine
32 market.

33 If you want to turn it round, it is a commercial opportunity and a gap in the
34 market for the Cross-Pennine rail travel that perhaps does not exist in the same way

1 for Main Line travel up and down the East Coast or the West Coast.

2 THE CHAIRMAN: That would suggest that it is about modal shift, it is about increasing
3 rail's share of the transport market. Is that where you see the focus?

4 MR WARREN BREEZE: Yes. On the one hand, it is about people who have
5 well-developed expectations at the present time, fit into certain social categories
6 and income streams where their standard mode of transport is the car and a certain
7 standard of car, and they do not see the levels of comfort and amenity presently
8 being reflected in their Cross-Pennine rail services.

9 There are other people who, perhaps, would not fall into the business
10 traveller category, but who would be perhaps best categorised as leisure travellers
11 and they are another group that we have identified where, at the present time, they
12 would not be making the journeys concerned at all but would be encouraged to
13 travel by the provision of a new service.

14 So they would not, in fact, be shifting from the same journey but
15 undertaken by car; they would be perhaps making the journey for the first time
16 because of the convenience of it becoming available and being delivered to them at
17 stations which actually do not form part of the Cross-Pennine rail network.

18 THE CHAIRMAN: Do you have any idea of rail's market share of the transport market
19 on some of the core Cross-Pennine flows, or does anyone else have any idea?

20 MR IAN YEOWART: Rail, certainly on Trans-Pennine, is roughly 55% between
21 Newcastle and Liverpool, but elsewhere within the route, everybody knows that
22 rail roughly, not just within the route but on the Network, carries six per cent of
23 journeys.

24 The problem rail has got, to a degree, is its ability to actually really attack
25 modal shift in a way that will allow it to accommodate that move. I mean, one per
26 cent move from road to rail increases rail usage by a massive 16%. Now, there are
27 certain parts of the network where that could just not be accommodated.

28 We have got eight empty trains that we need to fill and those markets, and
29 particularly the motorway markets where Brighouse is the only station that sits
30 adjacent to the M62 motorway, is an area that we can aggressively attack.

31 All the marketing which we have provided or will provide for you later, the
32 thoughts around it of course, are to a degree commercially confidential because of
33 the ability of our competitors to utilise some of the arrangements that we seek to
34 put in place. But we are extremely confident that the shift from road to rail and

1 from coach to rail and also from bike to rail will be sufficient to far outweigh any
2 limited abstraction from a £4 billion subsidised railway.

3 MR IAIN MORGAN: Thank you, Mr Chairman. In order to understand and assess the
4 costs and benefits involved in the application, the Regulator has developed a
5 proposed framework and that was set out in paragraphs 76 to 104 of the paper
6 circulated on 25th March 2004.

7 The proposed framework is particularly concerned with understanding the
8 proportion of the revenues gained by the new services that are abstracted from
9 current rail services as against the proportion derived from new to rail business,
10 from growth to the overall rail market.

11 I will not go into detail on the framework, I will assume that you have
12 considered the details in the paper; however, its key focus is to understand (1) that
13 there are sufficient levels of benefit to those existing rail passengers who transfer
14 to the new business, and (2) -- and the "and" there is important -- that there is
15 sufficient level of growth of the usage in the passenger railway.

16 I think it is appropriate firstly to give all parties who wish to comment,
17 starting with Grand Central, the opportunity to identify anything which they feel
18 we have not included within our framework that we should have included to
19 incorporate fully all the costs and benefits of the services and, similarly, to identify
20 any part of the framework that either should be removed because it is not useful or
21 because it may provide any sort of distortionary output.

22 MR WARREN BREEZE: I think it is our view that the assumptions that have been
23 made on the five-stage process, which you have referred to, do not at the present
24 time go anywhere near, for example, understanding the impact that our service and
25 associated arrangements will have at Wakefield Kirkgate Station.

26 Using, for example, the MOIRA tool might provide one indication of the
27 likely impact of our services at that station. I think we see a fundamental
28 turnaround at Wakefield from the perspective that, at the present time, it is a
29 semi-derelict site. Yes, technically it is a station, but the overall impact of the
30 proposal that we are making effectively delivers a new station at that site and there
31 are significant other steps being undertaken within the locality, on the waterfront in
32 Wakefield, as part of pre-planned urban regeneration which will also have a
33 compounding effect at that site.

34 MR IAIN MORGAN: Thank you. We will come to more detail in terms of the evidence

1 of the various benefits of the proposals shortly. Can I ask the Strategic Rail
2 Authority if they have any issues in the area of identifying things that should be
3 added or removed from the proposed framework?

4 MR GARY BACKLER: No, I think we are clear about the framework that you have set
5 out and think it is a very helpful way of approaching the commercial issue that we
6 are addressing here.

7 MR IAIN MORGAN: Thank you. Would any other parties like to comment on the
8 framework?

9 MR GRAEME BUNKER: Grand Central have been very clear that they do not think
10 that MOIRA is a useful tool for looking at the revenue growth that the industry
11 may benefit from and I think they have been very clear on a number of occasions
12 about that. I think we are happy that MOIRA will reflect abstraction accurately, but
13 we would seek to understand what other activities they have undertaken which
14 would actually show the increase in trips through the main market segments. I
15 appreciate that the actual detail would be appropriately confidential but the
16 mechanisms would perhaps be appropriate to share.

17 Secondly as well, and I am not sure who has got the intellectual property
18 rights on this now, there does exist an exceptionally comprehensive demand
19 forecasting model for the TPE corridor which either Network Rail still have the
20 rights to or the SRA have got the rights to. It would seem reasonable that the ORR
21 were allowed to use that model to reflect and base their decisions in that
22 background. One exists for the East Coast Main Line as well but the TPE one
23 would cover the whole network.

24 MR IAIN MORGAN: Thank you for that. I think that probably leads into both the
25 second and third part of what I am going to say. Does anyone else have any
26 comments before I go on?

27 MR IAN YEOWART: Graham is absolutely right about our views on MOIRA, but they
28 are not just views taken in isolation. They are views that we have received from
29 other industry partners.

30 It is worth noting that MOIRA, apart from one very notable exception three
31 years ago, has not been available to Grand Central to make any views on. The
32 Passenger Demand Forecasting Handbook has not been made available to Grand
33 Central despite many requests to the SRA about its ability by joining ATOC, and
34 there is a Trans-Pennine model which we did ask the SRA if we could utilise to

1 look at our services and we were not allowed to have use of that facility in order to
2 model any of our services.

3 Therefore, all our services, all our revenue projections, all our growth sit
4 completely outside any of the modelling techniques that the industry has used
5 historically.

6 MR JIM MORGAN: Just to go on back MOIRA and something that Graeme said, I
7 think as far as Hull Trains is concerned, we demonstrated that MOIRA does not
8 work if you have got a market which is currently underserved by what people
9 want, i.e. through trains, Hull to London. So MOIRA is significantly wrong in the
10 case of Hull Trains; whether it is significantly wrong where you already have quite
11 an intensive service over the corridor is another matter.

12 MR IAIN MORGAN: Thank you.

13 MR WARREN BREEZE: I think our view on that is that the service that is already on
14 the corridor is a particular service of a particular time that is right for a particular
15 operator working under a franchise contract. What we would like to leave with you
16 today is details of our marketing plan. This is the top-line marketing plan. We have
17 also prepared a paper that seeks to analyse that service that is already on the route
18 in a little bit of detail.

19 It draws a series of conclusions about the Trans-Pennine Express
20 operations, which I will say quite openly, are not critical conclusions, they are just
21 factual conclusions and where we believe that there still remains a clear gap in the
22 market place, both in terms of the service quality provision and also the
23 geographical routing of the Trans-Pennine Express service. We are happy to
24 provide that to you today, but obviously it comes under commercial
25 confidentiality.

26 THE CHAIRMAN: Thank you. Clearly there are different approaches to the modelling.
27 I think we all recognise the strengths and weaknesses of MOIRA. I do not know if
28 anyone knows who now owns the model that Graeme refers to, but if anyone finds
29 it, then I think that might be quite interesting.

30 MR GARY BACKLER: Do I assume that you are referring to what we would call a
31 comparator model for a franchise replacement?

32 MR GRAEME BUNKER: No. Without a plug, it is the Law Gibb model which is based
33 on trips and it is a bespoke demand forecasting model that was put together for
34 TPE about three years ago. I would suggest if you want to find out where it is,

1 Roger Jones or Julie Rickard within Network Rail/SRA would be the best people
2 to know where it is and obviously the Regulator can then decide on its use or
3 non-use.

4 THE CHAIRMAN: Something like that might help us all to understand things like the
5 market share, which I think is quite important.

6 One of the things the Regulator will have to do in assessing this proposal is
7 to look at it from a whole industry costs and benefits approach. Clearly it is not a
8 mechanical process and in the case of Hull Trains, we consciously also looked at
9 the fact that Hull had a particularly poor service and therefore slightly weighted the
10 cost benefit approach in that way.

11 I think we will want to do something similar here. So clearly one of the
12 things we will want to do with Grand Central over the next couple of weeks is to
13 talk a bit more about their business plan and how their assumptions fit into that
14 whole industry approach.

15 Iain, I think you have some more detailed questions now on this.

16 MR IAIN MORGAN: Thank you, Mr Chairman.

17 MR NIEL WILSON: Could I just make an initial comment? In the discussion we had
18 before the break it was said that the overall performance of trains on the route
19 would be lowered. In my own company, First North Western, the Manchester
20 North service group, which covers Manchester Victoria, is one that regularly does
21 not meet its punctuality standards for charter, and I believe that the ATN service,
22 which covers the Calder Valley, is similar.

23 I would ask that in taking forward an assessment of benefits, if the
24 assumption is that local services in Manchester North are going to become even
25 worse than they are now, then there is definitely a revenue effect in there
26 somewhere.

27 MR IAIN MORGAN: That is recognised in terms of our overall assessment including
28 what we spoke about before the break. We take performance and capacity fully
29 into account.

30 In terms of the MOIRA issue and the modelling more widely, the
31 framework is deliberately set out to develop from that and to take into account
32 factors that those models cannot take into account. That is what I want to go on to
33 in a little bit of detail.

34 I would like to take an example of one of the differences in terms of the

1 proposed services, the fare structure and the ticketing policy. I recognise that some
2 details may be subject to confidentiality but generally can Grand Central comment
3 on how they came to the conclusion that the proposed fare and ticketing policy
4 would develop a growth in the rail market?

5 MR IAN YEOWART: One of the things we have done is we have started with a blank
6 sheet of paper. We have had many discussions with various groups and various
7 targeted markets about what they are seeking from rail. One of the main thrusts of
8 our ticketing process is that the tickets will be cheap, they will be simple, they will
9 be easy to understand, there will be no peak pricing on any services, service costs
10 will be the same right across the board.

11 The view is that with each train conveying every day at least 40 tickets at
12 £1, that generates a high level of awareness in the same way that the cheap airlines
13 have generated a high level of awareness, but with a quota that is not a one-ticket
14 quota just to be able to identify that high level fare.

15 We have structured the fares in such a way that even our most expensive
16 fare will always be cheaper than the available network ticket, or the equivalent
17 network ticket.

18 Those markets targeted are not particularly targeted at the moment through
19 the various mediums of advertising, and quite often, if you have already got a train
20 that is full and standing, and I have a long history of rail, as many people do
21 around this room, my experience of the railways, as they grew beyond expectation,
22 was rather than price people on, you price them off.

23 Ours is a completely different philosophy. We want to price people on to
24 the network, providing services that give them a quality they have not seen. We
25 believe the service on Trans-Pennine, the only recognition for a passenger will be
26 the view from the window, and it is vital that we get the awareness out there.

27 Part of the proposal that Warren will be giving to you later explains in great
28 detail how we intend to get that message out there.

29 MR IAIN MORGAN: Thank you. I think particularly important here is the discussions
30 with the various market sectors that you discussed. To what level did that work go?
31 Was it one or two meetings or was there an actual survey produced?

32 MR IAN YEOWART: Again, it is difficult for us commercially to discuss in too much
33 detail where we have been and what we have done. The information that we will
34 provide to you will make it quite clear that it has been a comprehensive package of

1 looking at available data, looking at available statistics, meetings, obviously taking
2 a case study, which we have done for you as well from the group that will work
3 with us on marketing.

4 It is difficult for me to discuss in an open forum when we are proposing to
5 bring forward, for the very first time, a completely radical approach to the
6 marketing of railway services.

7 MR IAIN MORGAN: But can I confirm that that will be contained within the
8 submission that you are making to the Regulator today?

9 MR WARREN BREEZE: Yes. In the submission that we will provide to you later, we
10 have identified four key audiences that we intend to target across the route. It
11 analyses them by social group, it analyses what they like, what they dislike, what
12 triggers them to buy a product or service and relates back to how we, therefore,
13 intend to market our service to each of those four groups.

14 MR IAIN MORGAN: Another of the proposed benefits/differences/distinctiveness
15 around the proposed service is the rolling stock for the particular service that it is
16 applied to. In submissions to the Regulator, you have made various comments
17 about that rolling stock attracting new growth in the rail market. What particular
18 research have you focused on in terms of that rolling stock issue, in terms of the
19 preference towards the HST?

20 MR IAN YEOWART: Most of the research in relation to the HST is akin to talking to
21 passengers and passenger groups, experience, and if you stand at York Station, for
22 example, and there are three or four trains going towards Newcastle in the next
23 hour, there are not too many people, unless they are already on it, who will travel
24 by anything that does not go at 125 miles an hour. And if it goes at 125 miles an
25 hour, there is a preference as to what type of traction it is at that particular time;
26 some will choose an electric train, some might choose a diesel at either end, other
27 people might choose one where there is an engine slung underneath it.

28 Quite clearly, these are multiple units, in our opinion, and very similar to
29 the opinion Chris Garnett has in relation to quality of journey, especially at 125
30 miles an hour which is critical for this route.

31 The 'nose cone effect' should not be lost and, indeed, it has not been lost on
32 particularly FGK in relation to TransPennine -- sorry, there are so many letters --
33 because quite clearly, to have a streamline nose does have a major impact on
34 passengers' perception when a train comes into a station.

1 In the various meetings that we have had with councils along the route, on
2 each occasion every council has identified the arrival of a “real train”, in their
3 terms and in their words, at a railway station brings the station back to life. If you
4 look historically at stations that have lost their intercity trains, and ours is an
5 intercity train without doubt, there is a great clamour when these big trains are
6 withdrawn from service and replaced by small trains.

7 This is an intercity route, this is an intercity service and all we want to do is
8 to recreate the service provision that passengers regularly travelling to London use
9 and bring it to passengers who travel across the Pennines.

10 MR IAIN MORGAN: Thank you for that. We will in the next section look at the
11 benefits further. For now, can I turn, first, to the Strategic Rail Authority and then
12 to TPE particularly because I would like you both to comment on your the level of
13 untapped demand for rail services in the area, given that you must have gone
14 through a fair amount of detail in both developing the franchise and bidding for the
15 franchise.

16 MR GARY BACKLER: Our view is that the level of untapped demand is not sufficient
17 to do otherwise than confirm that these services will be primarily abstractive.
18 There are already Trans-Pennine services in place serving the principal
19 conurbations. There are clearly, with the new franchise, very firm commitments
20 now to invest in new rolling stock on the part of the current operator there. Virgin
21 Cross Country for its part, where it is on the route, has already invested in new
22 rolling stock and GNER has invested in a very significant upgrade to the quality of
23 its stock.

24 Obviously the market is growing overall but we do not see overwhelming
25 evidence that there is such a volume of untapped demand in this corridor to prevent
26 this from being anything other than very heavily abstractive to current operators.

27 MR PHILIP BENHAM: Can I just add that whilst I know there are views about the
28 validity of MOIRA, from our analysis we believe that the predominant
29 development of GC's business will actually be on routes that are already paralleling
30 either GNER or Cross Country. We are talking about Newcastle across to Leeds,
31 Newcastle down to York and flows to Darlington. There is obviously Manchester
32 as well, but that is the only one of the top seven flows that is not directly paralleled
33 by GNER or Cross Country services which, essentially, will be operating a similar
34 quality of service to that which Grand Central say they are going to be running.

1 MR IAIN MORGAN: Given that the MOIRA and Passenger Demand Forecasting
2 Handbook has failings, to some extent at least, does the SRA feel that they have
3 any analysis that they developed during the franchise development that may be of
4 use to the Regulator in order to come to his conclusions on this application?

5 MR GARY BACKLER: I think we would like to look at that, please, with the franchise
6 re-letting team that was involved on the Trans-Pennine franchise.

7 MR IAIN MORGAN: That is fine. Would FGK/TPE wish to comment on their analysis
8 of the untapped market in the area?

9 MR VERNON BARKER: Okay. I would actually echo obviously Gary's remarks,
10 given that we have just entered into the franchise agreement. Part of that, we have
11 actually given the uncertainty over any untapped market we have undertaken, as
12 part of the franchise agreement, to research and do studies with all the various
13 bodies in the North West and the North East.

14 What I would say in terms of generating increased growth across the TPE
15 corridor, we have also looked at MOIRA studies and we do believe that, from a
16 revenue perspective, abstraction PSEs and GNER primarily on the East Coast Main
17 Line are quite clearly targeting parallel-running services.

18 In terms of generating new users, I would argue that what customers really
19 want is a frequent, reliable, dependable service and, with eight trains a day, that is
20 not really sufficient to grow the rail market across the North East or the North
21 West of England.

22 MR IAIN MORGAN: Thank you. A comment there.

23 MS DENISE LENNOX: Thank you. Denise Lennox, Commercial Director for First
24 North Western. The proposition that appears to have been described to us, that of a
25 fare structure that is cheap, simple, easy to understand with no peak pricing and
26 targeted at a very clear audience, based on social grouping with four key audiences
27 is very reminiscent of the proposition that First North Western had in the early
28 days of its franchise for the airport and Rochdale services to London; a very cheap,
29 easy, simple fare structure, one price.

30 We put a lot of effort into the marketing, worked very, very hard at it. We
31 did not have the HST rolling stock, but we did go for specific training of staff, high
32 quality staff, very attentive to the key target audience that we had looked at. We
33 had catering services on board: sadly, it failed. I do think it is a very similar
34 proposition.

1 MR IAN YEOWART: Thank you. Yes, I think the reason it failed is because of the
2 rolling stock. I cannot imagine anybody would want to undertake a journey of that
3 length in that type of rolling stock, no matter how it was marketed.

4 Megabus, I think, are showing that if you market it cheaply and properly,
5 you can actually start to fill the services and attract a new type of market.

6 I think it is important, just before we move on, just to pick up the point that
7 has been made twice, and Gary made it earlier this morning about most of our
8 abstraction is liable to come from the East Coast. At the hearing in 1999, it was
9 stated quite clearly that: "many services to and from the north-east and Leeds are
10 already running at 75% of load factor. In simple terms, they are frequently full and
11 standing before they arrive at Doncaster. The simplest example is if you take a
12 train currently departing from Newcastle, it is already full when it arrives at York."

13 Now, they are GNER's comments from 1999. Those comments, I am sure,
14 in a growing market, and they have admitted that the market still grows, and we are
15 very keen to see the market still grow, but it is very important, especially if that is
16 the area that they believe abstraction is going to come from.

17 They also stated in 1999 that all their White Rose services will be new to
18 rail, wholly new to rail revenue, and yet they argued that the Hull Trains services
19 will be abstractive. It would appear, as has appeared on more than one occasion,
20 that everybody will take whatever information they have and obviously come to
21 the conclusion that they wish to come to.

22 MR IAIN MORGAN: Would GNER like to comment?

23 MR ROBIN DAVIS: A couple of comments. In 1999, Virgin Cross Country were not
24 running two trains an hour between Newcastle and York. I endorse Vernon's
25 comments about frequency and reliability; that is certainly what our customers are
26 seeking.

27 I note in Grand Central's paper, "growth generating additional passenger
28 but demand growing in the rail market", and again GNER is quoted, particularly
29 citing the example of our Leeds service which we introduced in 2002.

30 A couple of factors. The majority of the use of the Class 373 rolling stock
31 on that service, yes that is correct - it is a very nice train, but the majority is still
32 225 services.

33 The other thing about "the growth that we experienced", the success in
34 Leeds is about frequency and journey opportunities and actually lowering average

1 journey time because instead of a customer turning up at, say, King's Cross and
2 missing his train, he now only has roughly 29 minutes to wait as opposed to the 59
3 minutes. So that is actually bringing average journey times down; so it is frequency
4 and reliability that generate that growth, not the addition of a few number of extra
5 services.

6 Another important factor, I note what you said about what a train looks
7 like. Certainly our experience with quite a number of customers is the most
8 important factor is not what the train looks like; it is, 'Is it going to get me there on
9 time?' So performance is absolutely critical to a customer's journey.

10 The other thing also, we talked about attracting customers out of their cars.
11 You can only attract them out of their car when they are at the station. They tend to
12 like to drive it to the station and certainly car-parking capacity, I would like to
13 know what assumptions are being made about the availability to grow the market,
14 particularly on the main route, say between Newcastle and York. At Newcastle,
15 York and Leeds car parks, you cannot get into them, certainly after eight o'clock.
16 So there is a factor there in terms of can you actually grow the market? Is there
17 actually sufficient car-parking space to bring all these people into the station?

18 THE CHAIRMAN: Do Grand Central wish to comment on that?

19 MR WARREN BREEZE: I am not sure I can say too much on car-parking, I am just a
20 bit confused about that point. Presumably all passengers have got an equal choice
21 of when they choose to turn up at the car park. I am sorry, maybe I missed the
22 point about car parks.

23 MR ROBIN DAVIS: Yes. Maybe to help you here, Warren, what we are all trying to
24 do is to grow the number of people who travel by rail but still, what those people
25 want to do is, quite of lot of them, making journey opportunities by car, they still
26 will use their car and come to the station but they will want to park. If they cannot
27 park, they will not travel, they cannot travel by rail because they cannot get in the
28 car park.

29 Our experience at York, where we are trying to desperately seek additional
30 car-parking capacity, again you quote the growth on our Leeds market. We have
31 put additional car-parking capacity at Grantham, additional car-parking capacity at
32 Newark because if you do not have a big enough car park -- they tend not to walk
33 several miles.

34 MR IAIN MORGAN: Do you want to respond to that?

1 MR WARREN BREEZE: No. I would like to respond to a couple of points that have
2 been made in the last ten minutes, if I may, whenever you are ready.

3 MR IAIN MORGAN: Another couple of comments over there. The one final thing that
4 we promised in the pre-hearing paper on 25th March, before we come to that, is
5 any local effects that might not be picked up within our framework and this was an
6 opportunity for operators to raise that so I leave that open as a question.

7 Do you want to make your response first?

8 MR WARREN BREEZE: Just a couple of points, picking up perhaps on Gary's
9 observations, talking about there does not appear to be a level of untapped demand
10 on Trans-Pennine. I think I would go back to the MOIRA view; it is possibly an
11 easier conclusion to draw against a backdrop of MOIRA. It is not such an easy
12 conclusion to draw if you start afresh and think about how you want to come to the
13 market and stimulate demand in a new and innovative way.

14 There were further comments about untapped demand and I would only
15 observe on that that I am sure if we were to go back a few years, that British
16 Midland and British Airways felt there was untapped demand on a number of their
17 routes against a traditional pricing structure, and the approaches that they were
18 using for offering a number of their services, and we have all seen what has
19 happened to the airline market since then.

20 The observation about the market being particularly well-served: well, as
21 somebody who has been a very frequent user of the East Midland's Glasgow Air
22 Service over the last few years, I think we all felt, if I went back four years, that
23 that service was well-served. It is now served by double the number of operators,
24 operating on double the number of planes and demand and loadings have stayed
25 consistent across all services. The reason it has happened is because somebody has
26 come along to the market, taken an innovative view of how to stimulate demand
27 and taken a very fresh approach to operating that passenger service.

28 If I may just pick up the point from First North Western about targeting
29 social groups, if I was not clear, I need to correct myself: I said we had four target
30 audiences and within the analysis that we want to present today, we take each of
31 the target audiences and they are sub-analysed by social group. We were not
32 proposing to market a service purely by social groups.

33 There was an observation from GNER about the fact that since 1999 and
34 the Hull Trains hearing, the Virgin service has now moved to two services per

1 hour. It has but it has moved to two services per hour with smaller trains of a
2 different type which do not have double the capacity of the trains that were being
3 previously operated on that route.

4 I think my final observation is in regards to 373 services out of Leeds as
5 opposed to the predominance of 225s. I can tell you that one of our partner
6 organisations which is based in Leeds, with whom we meet very regularly, we
7 were discussing this very point with them last week. They are regular, paying
8 customers of GNER travelling up and down to London and the only train that they
9 talk about and that they remember are the 373s, but it still attracting them back to
10 the service. I am sure that when they actually get to the platform, they sometimes
11 do not always travel on the 373s, they travel on 225s, but it is what sticks in
12 people's mind about perception. Perception is one of the things that brings people
13 back to railways for further journeys.

14 Thank you.

15 THE CHAIRMAN: I would like to take the issues around passenger benefits a little bit
16 further. Grand Central have said that compared particularly with Trans-Pennine
17 Express they see a step change in improving passenger accommodation; upgrading
18 on-board services; the rolling stock that operates at line speed throughout the
19 journey; First Class in a dedicated vehicle; the new journey opportunities at
20 Brighouse, Rochdale, Wakefield Kirkgate; cycle provision; and also the real price
21 reduction.

22 Clearly, the Regulator will have to take a view of those benefits to
23 passengers against the industry cost of delivering them. Can I, however, ask the
24 consultative committees if they have any observations as to what they see as the
25 benefits or otherwise of this service?

26 MR ERNIE PRESTON: Ernie Preston, Secretary of the North East RPC. I will try not
27 to reiterate anything, but what we see from the passenger point of view is that the
28 emphasis has got to be on the new journey opportunities, the Manchester Victoria,
29 and particularly Brighouse and Wakefield in this. Wakefield is an area which is
30 very poorly served. Unless you happen to be going to Birmingham or London, the
31 quality of the rest of the service is not any fault of the existing services, they are
32 just cases of "What else have you got?"

33 Also what perhaps has not come out of this is that if Wakefield Kirkgate
34 were to become occupied by Grand Central, there is a possibility of unlocking, far

1 more easily, quite a lot of money which the PTE has, and indeed the Railway
2 Heritage Trust has for refurbishing the station, so a bit of icing on the cake there.

3 We are not trying to knock First Group on what they are doing with the
4 franchise, but we are very concerned that there is nothing in there that we can see
5 which is actually going to produce a growth in the number of seats. The route on
6 that corridor is very heavily used. People can quote whatever numbers they want,
7 but you go and try to get on one of those trains from Manchester or Leeds in the
8 evening, a seat is a hard thing to come by.

9 We have just seen, for one reason or another, the order for new units for the
10 Trans-Pennine has gone down from 56 to 51, whereas all kind of logic would seem
11 to say that that number should be going up by five, not down, to cater for the
12 growth which has taken place and will continue to take place. The Government is
13 trying to increase rail's market share, so we need more seats on that route.

14 What Grand Central seem to be providing are that they are the only people
15 there who are actually going to do that if they can get the access rights.

16 THE CHAIRMAN: Anybody else?

17 MR ROBIN SISSON: Thank you, Mr Chairman. Robin Sisson, Deputy Secretary, Rail
18 Passengers Committee for north-western England. Again, not to reiterate things
19 that I have said in our submission, but we do take notice of the particular markets
20 which Grand Central propose to target. In all the information we have, short of a
21 large scale, systematic analysis suggests that there is value in targeting particular
22 groups that they have outlined.

23 I think the issue of the quality of the train is actually crucial and also any
24 other marketing initiatives which Grand Central put into that.

25 Just to go back on something that the gentleman from GNER said about
26 people not really caring what the 373 looks like. That is not what GNER
27 themselves say in their review, "Service with a smile" where I think Mr Garnett
28 actually says we do know that passengers specifically book those trains, do go for
29 them. So I think you must have a certain consistency there.

30 Certainly in the north-west, we welcome any initiative which increases
31 volume capacity on a particular train. Granted, the number of trains proposed is
32 small. The First Class issue is important. I have a particular interest there as a
33 regular Trans-Pennine commuter, but we wonder just what is going to happen on a
34 Desiro in First Class seats. Yesterday, on the 0808 Leeds to Liverpool, there were

1 28 seats taken out of the 32 and we are concerned that First Class fares will rise.

2 We also think that there is a considerable student market and that students
3 will, in fact, be attracted by, as Grand Central themselves say, a particular train, if
4 you like, with a certain amount of prestige, but just the sheer ability to get a seat at
5 weekends. I notice that a departure at 1835 from Manchester Victoria to Newcastle
6 would in fact be very attractive and there are other markets that are well catered for
7 on that four-train timetable.

8 The rest I have said in our response. Thank you.

9 THE CHAIRMAN: Thank you. Do the Passenger Transport Executives wish to make
10 any comment about passenger benefits? If so, please do.

11 MR PETER JOHNSTON: Peter Johnston, Greater Manchester PTE. In this instance I
12 want to speak also on behalf of the Trans-Pennine Rail Group, for which I am
13 secretary, and to an extent also for colleagues in other PTEs that are unable to be
14 present today, specifically West Yorkshire and Nexus.

15 THE CHAIRMAN: Sorry. Who is on the Trans-Pennine Rail Group?

16 MR PETER JOHNSTON: Local authorities, PTEs and national parks, everywhere from
17 the Mersey to the Humber and the Tyne and industry stakeholders such as Network
18 Rail and the relevant TOCs. It is a broadly-based group. There are a number of
19 points I want to make quite quickly.

20 The first is that, in principle, almost all of us welcome the idea of a fast,
21 high quality rail service on the Calder Valley. It is, of all the Trans-Pennines routes
22 and has, to some extent, been the Cinderella and we believe that high quality rail
23 services is, in itself, desirable, but not if it interferes with the performance of some
24 of our other objectives. West Yorkshire, for instance, are particularly concerned
25 that if this is to be done, it must not be done in a way which prejudices the
26 possibility of the Sheffield/Leeds service which they are hoping to introduce.

27 Similar views have been expressed in relation to other train services, but I
28 pick up here the point which was made initially by Graeme Bunker which was
29 about the extent of the MERIT model and whether or not it includes services
30 through Manchester Piccadilly. I cannot answer that, but the answer if it does not,
31 then it is probably going to underestimate the downside effect of introducing new
32 services on the line of the present proposal.

33 Now, I pick up again the point made briefly by Niel Wilson. When existing
34 performance on existing routes by existing services is already well below the

1 targets to which we aspire, we need to think quite carefully before we introduce a
2 new service which will have the effect of further depressing that performance.

3 I am not claiming that it will, but I need to be sure that you, when you are
4 deliberating this proposal, will take that factor into consideration. The same would
5 apply in the case of operations at Manchester Victoria and the point about platform
6 capacity etc etc.

7 In principle, I am an optimist but I always keep one eye on what is the
8 downside risk. I think you need to take account of issues about abstraction which I
9 am not competent to resolve. Because if, for no other reason, and the SRA has
10 already let a quite challenging franchise to Trans-Pennine Express, and you need to
11 take into account also what is the likely effect on what is already a financially
12 precarious Northern Trains franchise.

13 I leave the thought with you, Chair. Thank you.

14 THE CHAIRMAN: Thank you. Does Grand Central wish to comment on any of those
15 points?

16 MR WARREN BREEZE: I think, for example, the issue about platforming at
17 Manchester Victoria has already been covered this morning and we have made our
18 position clear on that and I am sure your office will be diligent in assessing all of
19 the issues.

20 MR GRAEME BUNKER: Chairman, could I just add a question, please, if I may? If
21 you want to be made available the passenger feedback figures that the SRA
22 conducted in an independent survey on the Voyagers, we will make that available.
23 Passenger satisfaction is higher on those than it is on HSTs. Unless the SRA
24 disagree, I am quite happy to make that available to you.

25 The second point is just to make sure that you do not miss that from
26 Wakefield to the North, every journey opportunity from Wakefield outwards I
27 believe we currently serve, compared to the Grand Central operation, admittedly
28 from Westgate, not from Kirkgate. So that is a different kind of connecting
29 activity. But certainly from Leeds, York, Newcastle, those primary markets are
30 already served with an hourly service.

31 MR GARY BACKLER: I would just like to make a couple of points. First, in relation
32 to the Voyager information, provided that Virgin are content, then yes there is no
33 problem with that information being shared.

34 Just to pick up a couple of earlier points that have been made, I would

1 strongly underline the importance as revealed across the Network to passengers of
2 consistency and reliability of service. It is all about reliability. Actually fully
3 accepting the points of the RPC about their prioritisation of passenger benefits, I
4 am sure, assumes a given level of reliable, consistent operational performance, and
5 that if that performance were to be jeopardised and in fact were to deteriorate, fully
6 accepting that it is not actually all that high in these areas, I am sure that if that
7 performance were to be threatened with deterioration, then we would hear about
8 that very strongly from the RPCs and rightly so.

9 It is just a question of which passenger benefits are actually of most value
10 to passengers and I think I would underscore that it is actually reliability that is the
11 key issue.

12 I think one final point, in terms of new journey opportunities and new
13 markets for the SRA which of course has to fund all of these operators, all of the
14 franchise operators and is committing to franchise payments many years out, the
15 crucial thing for us is: are the new markets of any kind of comparable value to the
16 markets for which we are paying subsidies to ensure they stay served? That is a
17 critical issue - the taxpayers' money should be defended in underpinning the
18 markets that are already being served. Our view remains that the abstraction threat
19 of these services far outweighs any potentially generative effect.

20 MR ERNIE PRESTON: Can I just add something. Gary is perfectly right; of course
21 performance is a big issue with passengers, but so is the overcrowding and having
22 a comfortable journey. It is about getting the right balance between those two.

23 MR GARY BACKLER: If I can just come back on that point. I actually agree in terms
24 of crowding as well. A point I would make is that operational reliability has a key
25 part to play in levelling highly oppressive levels of overcrowding. If passengers are
26 confident that services are going to turn up when they are expected to turn up, then
27 they can adjust their travel patterns with confidence to balance out and ensure that
28 the trains are full. That is what we want - we want full trains. We do not
29 necessarily want overcrowded trains.

30 MR PHILIP BENHAM: Can I just add one or two more comments on capacity. The
31 changes to the Trans-Pennine timetable that are planned for December this year
32 will in fact add further seats on the core bit of the route between Leeds and
33 Manchester, for example. Although Huddersfield is not served it does affect
34 Leeds/Manchester, the number of seats in the peak is going up by some 40-odd per

1 cent and that is just an example.

2 A comment was made about the reduction in the Desiro fleet. This will not
3 impact on the core Cross-Pennine services; it relates to the north-west and it is to
4 do with improved availability in the use of the units.

5 There was reference made to First Class. It is worth remembering that this
6 type of accommodation is obviously attractive to the business market. I think
7 Grand Central will offer an hour and a half service in terms of journey time
8 between Manchester and Leeds compared to about an hour currently on
9 Trans-Pennine. I would not have actually thought that was going to be particularly
10 helpful in attracting this particular sector. The First Class market has been
11 developing on Trans-Pennine. Yes it is proving popular; I use it myself at the
12 moment quite frequently, but generally there is actually more than sufficient
13 capacity.

14 MR IAN YEOWART: Thank you, Chair. We have heard a great deal about growth in
15 various markets. In a business where First Class facilities are obviously important,
16 it seems rather strange therefore that the availability of seats has gone and reduced
17 by 50% with new rolling stock and that just does not seem quite right.

18 I accept the point about the 40% increase, although I have not seen the
19 timetable, in relation to extra seats on the corridor, but a Desiro three-car conveys
20 considerably less seats than the 158 three-car, so no doubt that 40% increase will
21 reduce when the new fleet starts to come in.

22 In relation to what Graeme was saying earlier about Virgin, yes, not a
23 problem with Virgin and Virgin, by their own admission, or certainly after
24 Operation Princess was up and around, were trumpeting 40% growth all over
25 because of how good the service was and how they were growing. So therefore not
26 quite sure what the impact might be, a limited impact of Grand Central services.

27 If we look at performance, what we are basically saying is that there could
28 be a desire on operators to depress their performance in order to prevent anyone
29 else coming to the network. The worse the performance, the harder it is for a good
30 operator to get in. That cannot be right.

31 In relation to the first point that Graeme made about the passenger
32 perceptions between Voyagers and HST, I would like to understand if it was a blue
33 HST or a red HST which passengers were asked to actually comment against or, if
34 it was a generic HST?

1 THE CHAIRMAN: I think we will leave HST colours alone. I want to bring First Group
2 in, but first I want to ask Grand Central a little bit about Brighouse, particularly
3 because one of the key issues here, and it was an issue we also had with Hull
4 Trains, is that that is a service which currently does not exist or is very weak.

5 What do you see as being the benefits of that and how are you going to
6 make it into a successful operation as a new station?

7 MR IAN YEOWART: Believe it or not, Chair, Brighouse is a hot bed of economic
8 growth. It was a property hot spot in the country last year; it is one mile adjacent to
9 Junction 25 of the M62 motorway; it is equidistant between Halifax and
10 Huddersfield. It has no reasonable rail service and certainly, when it was built, the
11 expectation was that they would provide far greater journey opportunities than
12 now.

13 To give you an idea of the level of service, if Grand Central is operational
14 we will pick up 38% of the cost of Brighouse Station because of the volume of
15 seats that we will provide through the location. It has a very under-utilised car
16 park. It is a free car park so you do not have to pay £6.50 and then pay for a fare on
17 top of it. So the attraction to drive into these stations is vast.

18 The argument earlier about the time taken to travel between Leeds and
19 Manchester is well made and it is a question that has been asked of us before. The
20 view is quite clear: you will not be charged any extra for being on this quality train
21 that little bit longer. At the same time, you will be deposited ten minutes closer to
22 the centre of Manchester than you will if you arrive at Piccadilly.

23 But we have made no secret of the fact that we, in assistance with the
24 Wakefield Economic Development Council, see Wakefield as a great growth area
25 for attracting passengers to that location, which has a similar time from Wakefield
26 to Manchester, from passengers who currently drive into Leeds which will have a
27 beneficial effect for GNER by releasing some of the spaces within their car park
28 for their Leeds passengers to continue to travel to London.

29 THE CHAIRMAN: Thank you. Could I perhaps ask Vernon Barker to comment on what
30 FKT is planning to do in terms of addressing some of the concerns about the
31 service that have been raised particularly by the consultative committees?

32 MR VERNON BARKER: Okay, thank you. I think initially we need to draw the
33 distinction that the generic overcrowding that people tend to perceive and relate to
34 tends to be on the corridor of Manchester to Leeds. I think that is what is in Ernie's

1 mind particularly. The stations we serve on that corridor are Huddersfield and
2 Dewsbury - obviously they are not served by the Grand Central proposition.

3 What we are actually doing to alleviate crowding on services along that
4 corridor are fundamental to the timetable change which obviously Philip has just
5 mentioned. In December 2004, and I am acutely aware that the timetable which the
6 Grand Central proposition has been validated against is not the December 2004
7 proposition from TPE. The December 2004 timetable, we have worked at it quite
8 hard with all the other operators, GNER, ATN etc, to deliver a standard hour
9 timetable through York, Leeds, Manchester, into the airport, serving fundamentally
10 what the customers on that corridor would require. So you end up with four trains
11 an hour, virtually equidistant of, on average, 15 minutes apart between Manchester
12 and Leeds.

13 The timetable of December 2004 also gives us the opportunity of the 'fall
14 away' of certain Northern traded services which we deliver on behalf of primarily
15 Arriva at this point in time to actually reform the fleet of what was formerly 43
16 158s. Now we have a fleet supplemented with two ex North Western 158s.

17 The fleet will be reformed and, as we have shared with the consultative
18 committees, the combination of 2s, 3s, 4s, 5s and six-car sets will be standardised
19 around 3s and 6s primarily to give an increased seating capacity which will
20 actually alleviate considerably the overcrowding on that key corridor. So Philip is
21 right, you will see initially a 20% increase in peak seats available between
22 Leeds/Manchester, rising to in excess of 30% when the new fleet is introduced.

23 I think it is not quite correct to interpret the fact that we are running 158s
24 for a couple of years and then supplementing with Desiros, the seating goes down.
25 The way in which the timetable works, it actually delivers more seats arriving at
26 destination in the peak hour than at present.

27 I actually look at the timetable proposed by Grand Central and I do not
28 believe that with one train arriving that would match a similar pattern of travel, that
29 does anything to alleviate overcrowding on that corridor.

30 MR PAUL HADLEY: Could you please clarify? I lost the logic at some point. You
31 were reforming the current 158 fleet broadly into three-car sets, six-car trains, with
32 effect from December 2004. Can you first of all confirm that that is the correct
33 impression?

34 MR VERNON BARKER: Correct, yes. Not all six-cars.

1 MR PAUL HADLEY: Noted that there will be a mixture of three and six cars. And that
2 change, from this December, will provide, in the peak hours, a 20% increase in
3 seating capacity on the Manchester to Leeds corridor?

4 MR VERNON BARKER: Correct.

5 MR NIEL WILSON: Yes.

6 MR PAUL HADLEY: Could you then say what changes and when they are being made
7 will get to the over 30% increase at a subsequent point, please?

8 MR VERNON BARKER: The increase to the 30% actually comes in with the full
9 introduction of the new trains. There will still be a combination of twos running in
10 the matrix, so when they are running in threes or sixes, that will actually add the
11 extra capacity.

12 MR PAUL HADLEY: So that -----

13 MR VERNON BARKER: Sorry, and that will be the 2006 and 2007 timetable.

14 MR PAUL HADLEY: So that although an individual, say, three-car Desiro unit might
15 have fewer seats than a three-car 158 unit, there will be more vehicles being
16 committed to the service in an all Desiro operation, that will more than counteract
17 that reduction in seating capacity and take the increase from where we are at the
18 moment up to 30% more than that?

19 MR VERNON BARKER: Yes, that is correct.

20 THE CHAIRMAN: Sorry. Can I just clarify when all this will happen?

21 MR VERNON BARKER: The reforming of the 158 fleet will take place at the
22 December 2004 timetable, and the second benefit will come with the full
23 introduction of the new trains during 2006 to 2007.

24 *[Post hearing note: The following clarificatory note has been supplied by*
25 *First Group:*

26 *The December 2004 timetable will facilitate the separation of TPE and*
27 *ATN services for the first time since the start of the TPE franchise and allow the*
28 *TPE class 158 fleet to operate solely on TPE services. The December 2004*
29 *timetable will be the base timetable during the early years of the franchise.*

30 *The class 158 fleet is currently deployed as 15 x three-car diagrams and*
31 *23 x two-car diagrams and will be-redeployed as 19 x three-car diagrams and*
32 *17 x two-car diagrams, with the off-peak two and three-car formations*
33 *strengthened to four and five cars to meet peak demand.*

34 *When the new fleet is fully introduced during 2006, it will be deployed as*

1 *three-car units and train formations will be either three or six-cars.*

2 *Compared with the current situation, the number of seats on peak services*
3 *from Manchester to Leeds is planned to rise by 20% in December 2005 and by*
4 *30% when the new fleet is fully deployed]*

5 THE CHAIRMAN: So the Desiro fleet comes in in 2006/2007. How do you respond to
6 the comments made, I think both by the consultative committees and by Grand
7 Central, that the Desiros will be quite light in terms of First Class accommodation,
8 and the concern that really they are not adding a lot in terms of seating or image
9 compared with HSTs?

10 MR VERNON BARKER: I do not accept that they will not compete as new trains with
11 good image in the eyes of the customer actually. I go back to my key point here
12 which is that it is actually about performance, frequency and reliability of rolling
13 stock.

14 The Desiros, it is going to be an enhanced version of the 360s which are
15 running around at the moment. The First Class proposition is enhanced
16 significantly on the 360s. The seats in the 185s, the Desiros which we will be
17 using, the First Class, yes, less seats than is proposed on an HST set, but with four
18 trains an hour between Leeds and Manchester, that is actually considerably more
19 seats arriving at destination or journey opportunities.

20 The quality of the seating environment, yes we will have seats, power
21 sockets, all lined up with tables with window views, both in First and in Standard.
22 That is power sockets in Standard as well. The tables will match up with windows.
23 I think it is a considerably improved proposition, far in excess of the 158s which
24 we are running, and that is obviously why we are doing it.

25 But I think we will compete with anything else that is on the Network. It
26 will also be a more reliable service. I think with the benefit of other fleet
27 introductions, most recently obviously the Voyagers are now reaching levels of
28 reliability, we intend to exceed. So we have got the experience of introducing new
29 fleet with the 175.

30 I think in a couple of years' time when people are actually travelling around
31 on this stock, you will see the benefit that refurbished HSTs can.

32 MR PAUL HADLEY: Congratulations on the first mention of Class 175s during this
33 hearing!

34 MR NIEL WILSON: They are not a role model!

1 MR PAUL HADLEY: But in all seriousness, can you please just confirm that the
2 Desiro units that you are introducing, being a diesel Desiro unit, are in fact a totally
3 new design; there is no established fleet, certainly operating in the UK, that has the
4 same characteristics or drive train that we know about its reliability?

5 MR VERNON BARKER: I should defer to Graeme on this one. He has more
6 experienced of the combined engine and gearbox formations, but essentially the
7 Cummins engines and the gearboxes are tried and tested pieces of kit. Door
8 configurations, yes, and all the other external environmental factors. One-third,
9 two-third doors are similar to the 360s.

10 So whilst a diesel version, and you are correct, of a 360 is not running
11 around at this point in time, the various elements of the operational system are all
12 in use and are all tried and tested I believe, although I know my colleagues have
13 further experience.

14 MR GRAEME BUNKER: Yes. I know it sounds strange for Virgin to respond to that
15 question, but it is basically the same kit that we have got and Siemens have already
16 been to visit us, and Bombardier, to actually understand what they are going to
17 have. In fact, it is more likely to be very similar to the kit on the Hull Trains'
18 Meridians, or whatever they are going to call them, and the Midland Main Line
19 ones which have got all of the modifications that we have had on ours but built as
20 standard.

21 So, yes, okay 185 is a new train, but the underfloor facilities are virtually
22 the same because they are actually going to follow it from all the lessons we have
23 learnt with Cummins and everybody else.

24 MR JIM MORGAN: Can I make one quick point while I have got the microphone. Just
25 to say that Hull Trains have a contractual 32,000 miles per casualty with a similar
26 drive train.

27 THE CHAIRMAN: We will believe it when we see it!

28 MR GRAEME BUNKER: We are doing about 11, Mike!

29 THE CHAIRMAN: Got a way to go yet!

30 MR GRAEME BUNKER: Twice what an HST does!

31 MR ROBIN SISSON: Mr Chairman, I am partly reassured by TPE's promise to reform
32 the units and everything, but at RPC North West we still have not got, really, final
33 answers to these questions, either under the present regime or under the new one.

34 I hope this is fair, but here we have "Rail" magazine today and a TPE

1 spokesman says: "The company is confident it will have enough seats" -- this is
2 about the reduction in the fleet order from 56 to 51 -- "but admits 'It will certainly
3 be a challenge for us'".

4 That is a public statement - that is in the public domain. What we are saying
5 on behalf of passengers is that is not very reassuring at this stage in the game, two
6 years ahead. Again, all the time I detect significant growth on the whole
7 Trans-Pennine corridor really and all its permutations. A situation in which we
8 have had physically a train with fewer seats than the current 158 is a dangerous
9 situation to be in and we are going to need, on the Committee, some very firm
10 reassurances that current demand and future demand are going to be met.

11 Thank you.

12 MR VERNON BARKER: My PR manager obviously does a good job in dumbing
13 down expectation! That is probably inappropriate today because I love to
14 over-deliver.

15 I can absolutely give you the assurance that the reduction of reported trains
16 from 56 to 51 will not impact the delivery of the Cross-Pennine services which we
17 are discussing here today. I think, as Phil correctly pointed out earlier, it has more
18 to do with Trans-Pennine's delivery of services on behalf of Northern and not its
19 core TPE route.

20 So a slight red herring to throw that in today when we are talking about
21 track access for Grand Central.

22 Our new trains will deliver as planned. The reduction is irrelevant here
23 today.

24 MR ERNIE PRESTON: It is about the number of seats on the overall route. Given that
25 you are going to reform sets to provide sufficient during the peak, 20%, unless
26 there are physically any more units, those are going to be taken from somewhere
27 else. Is this at the expense of Hull's airport service or is it at the expense of the
28 Sunderland leg of the Trans-Pennine? If you use them in Leeds, you cannot be
29 using them somewhere else, so what is giving? That is another of the RPC's
30 concerns.

31 MR VERNON BARKER: Again, I think we are mixing the discussions here between
32 the new trains and the reforming of the 158s actually. The reforming of the 158s
33 allows us the opportunity to put more seats through the peak, which is the 20% that
34 we speak about.

1 Bearing in mind at the same time, the pattern of services between York
2 through Leeds through Manchester is regularised, for example at Huddersfield you
3 now have trains arriving equidistant 15 minutes apart, as opposed to an irregular
4 pattern which quite often you would not get the fourth train through on the hour.
5 So, in totality, the seats do increase, even with the 158 fleet which we just deploy
6 in a more efficient and innovative fashion.

7 Those same principles, one that the new timetable is in, and probably this is
8 the point where my greater paranoia, or concern, for the record, not paranoia,
9 comes out is the discussions here today are about the December timetable, not
10 taking into account the December 2004 timetable and that all the benefits of the
11 regularised, standard hour pattern and the performance gains which our trains,
12 Virgin's and GNER's and the ATN and the local services have accepted may well
13 be more corrupted by the GC application.

14 The benefits of seats might actually be totally disrupted because I think
15 most TOC operators will actually understand that the ability to control or contain
16 crowding is best satisfied by trains arriving at destination on time and people
17 actually getting on them when they arrive there.

18 THE CHAIRMAN: Do Grand Central wish to comment on the issues we have just been
19 talking about on passenger benefits and particularly what FKT are implying?

20 MR IAN YEOWART: Yes, a few points. First of all, Mr Chair, if I can just add a bit of
21 clarification, I know Paul tried to address the issue, but I am not sure. Philip was
22 claiming that there will be a 40% increase in seats from December this year and
23 Trans-Pennine are saying it is actually 20. Can we confirm whether it is 40 or
24 whether it is 20?

25 MR PHILIP BENHAM: I quoted one particular section which was Leeds to
26 Huddersfield, not Leeds to Manchester. It was an example of an increase in
27 capacity on that corridor.

28 MR GEOFF PEARCE: That is just the peak hour. That is the peak hour increase. That
29 is where the critical problem is on the corridor in the peak times.

30 MR IAN YEOWART: It is quite interesting. A fair number of passengers, therefore,
31 might choose to go to Brighouse as opposed to going to Huddersfield if one of our
32 services happens to be moving through.

33 I take entirely the point, and we have continued to take the point about four
34 services a day, but the service pattern was virtually agreed a few years ago in

1 Blackpool with the SRA in attendance when it was felt that our 31 services which
2 were identified at that time would have too much of an impact. But now it is being
3 argued that if it were hourly, it would be better. But then, of course, there are the
4 revenue abstraction considerations which we have taken a great deal account of. I
5 am sure Hull Trains would love to have an hourly service, but they seem to survive
6 okay with four services a day to and from London, so that in itself is quite
7 important.

8 I do not think we should overestimate the importance to passengers who get
9 a seat. It is annoying when you cannot. Crowding issues as well, sort of go away as
10 it is not important, there will be another train along in half an hour or another train
11 along in twenty minutes. In my experience, and I have a fair amount of it from
12 travelling by train, passengers do not wait unless it is physically impossible to get
13 on the train that is actually coming. They will stand and complain about it.

14 The major passenger benefit from our point of view is that we do not
15 believe that passengers should have to stand, but we are aware that there may be
16 times when they do have to stand and therefore we will not charge them as much.

17 I cannot imagine anybody who creates a business case that allows them not
18 to make money when they are over 100% loaded. Therefore it will be interesting to
19 know whether or not the offer that will be made by Grand Central will be
20 reciprocated by other businesses which are obviously performing financially very
21 well if trains are operating at 100%+ loadings.

22 THE CHAIRMAN: I think we are rapidly running out of our allotted time. What I would
23 like to do now is to ask people, first of all people on the back row, if there are any
24 issues you feel we have not covered or have covered inadequately; that you have
25 not heard answers to or that you feel that the Regulator ought to be probing
26 further?

27 Are there any issues anybody particularly feels have not been fully aired
28 today?

29 MR NIGEL OATWAY: We never really touched on the issues of Leeds in terms of
30 capacity. EWS is concerned to ensure that the hourly coal path in each direction
31 which crosses the layout at Leeds, which has taken considerable development over
32 the years to achieve, is protected in any new service increases. We do not think that
33 the Grand Central aspirations are going to affect that, but when taken together with
34 the additional Leeds to Sheffield (via Wakefield) service that was talked about

1 earlier by the SRA, there may be some impact. Thank you.

2 THE CHAIRMAN: Does Network Rail have any comments on that point?

3 MR SIMON WHITEHORN: Obviously Network Rail's responsibility is quite clear
4 under the Access Condition D process in terms of timetabling etc etc. Throughout
5 this process we have followed those guidelines, those rules.

6 Going forward from December 2004 onwards, we have, as we have already
7 discussed today, a number of different aspirations for different services and our
8 responsibility within Network Rail, certainly within operational planning, is to
9 make sure that we get the best use of capacity for all operators and also taking
10 account of SRA's future strategies and that is what we intend to do. We have a big
11 opportunity in December 2004 to do just that and going forward from then on
12 throughout the timetabling process.

13 THE CHAIRMAN: Does anybody else have any particular issues they want to raise?

14 MR ROBIN DAVIS: We have talked a lot about what I call the permanent timetable,
15 but we have not really talked about the short-term timetable. GNER's experience
16 on the East Coast Main Line is that I do not intend to have a permanent timetable
17 at the weekend. I think the beginning of last year, out of the first thirteen
18 weekends, we re-timetable on eleven of them.

19 We talked about capacity, Network Rail's timetable, very good. We talked
20 about Monday to Fridays and, you know, implied that same timetable on a
21 Saturday and yes we will have one less on a Sunday. Certainly our experience, and
22 I think our colleagues in Hull Trains might have some experience of this, you tend
23 to have a lot less than that on a Sunday.

24 A key question for the Regulator in terms of the rights that will be granted
25 in terms of when short-term capacity constraints come in, which they do with
26 short-term timetables, what will be available to all operators on the Network and
27 whether the likelihood and consistency, and I think this becomes important in the
28 revenue modelling, of the likelihood that the trains will actually run at all at the
29 weekend because your costs will still stay the same. You will still pay the lease you
30 will still pay the crews, you will still pay the servicing charges, and yes you will
31 save a bit of ETN and fuel.

32 But I think it is very, very important. Don't look at this as just Mondays to
33 Fridays.

34 THE CHAIRMAN: Clearly the process for deciding what trains to run in the light of

1 what is needed in terms of engineering is set out in the Track Access Conditions,
2 the Network Code.

3 I would be interested in Network Rail's comments on that and, particularly,
4 have you satisfied yourselves or have you any concerns about the extent to which
5 this proposition will either constrain your access to the Network for engineering or
6 alternatively mean that you have got hard choices to make, particularly at
7 weekends. Can you just explain a little bit about the engineering implications of
8 this service?

9 MR SIMON WHITEHORN: As we speak and as we sit here today, my team are still
10 evaluating the proposal based on the May to September timetable and also the
11 September to December timetable to understand the impact of running the services
12 that Grand Central specified on a Sunday. Obviously there are going to be quite a
13 number of implications where we have various routes blocked, for example
14 between September and December.

15 On a Sunday, we have the Diggle route blocked, where we are obviously
16 looking to provide alternative capacity for existing operators, via the very route
17 Grand Central wish to operate over.

18 Grand Central have made clear some of their provisions in terms of what
19 they would be seeking for services they wish to operate on a Sunday, and our
20 obligation is to make the best use of capacity following the decision criteria within
21 Access Condition D.

22 That is what we will do and we will highlight any issues to all operators
23 who are affected, as we do throughout the normal planning process.

24 THE CHAIRMAN: Thank you. Clearly, if Network Rail have any concerns that
25 approving these rights will unduly constrain their access to the Network for
26 efficient engineering access, I think we would like to hear about that.

27 MR JIM MORGAN: GNER mentioned the issue about weekend timetable. I would also
28 like to raise the issue about what happens when one of these HSTs fails, as they
29 inevitably will. The train is full of people who have paid Grand Central bargain
30 fares. What happens to those people? Are they expected to catch an overcrowded
31 Trans-Pennine train? Are Grand Central anticipating paying any compensation for
32 TPE having to carry these people? That is the first point I would like to make.

33 The second point, which I thought was going to be covered on the agenda
34 but apparently is not, is about Grand Central's readiness to start a new operation.

1 Having done this, there is a major tranche of work to do in getting the railway
2 safety case approved. I am particularly interested in how Brighouse will be able to
3 operate, with a platform that needs to be 150 metres long and they are currently 97,
4 and also Wakefield Kirkgate.

5 So I think there are quite a lot more operational issues that have to be
6 addressed and I would be interested to know how prepared Grand Central are in
7 addressing all these other issues.

8 THE CHAIRMAN: Do you wish to comment?

9 MR IAN YEOWART: Yes. Thank you, Chair. In relation to failures, Grand Central
10 made it quite clear in our documentation that we will, in the event of other people's
11 failures, which will inevitably happen, accommodate for example Trans-Pennine
12 passengers in an uncrowded HST to move them further on. If other companies do
13 not wish to reciprocate, then that will not affect our position in relation to keeping
14 the railway and its passengers moving. It is absolutely critical.

15 In the same way, for example, that where limited capacity might be
16 available at the weekend, you would expect a joined-up railway to take the biggest
17 trains available on a particular route to make sure the loss of traffic is not reflected
18 in passengers having to stand for further parts of their journey.

19 In relation to the railway safety case that we are putting together, that is
20 progressing quite nicely. I think the HSE and HMRI have been in regular contact
21 with the Regulator to advise him of the position that we are in at the moment. So I
22 have no particular problems there.

23 Wakefield Kirkgate and Brighouse, we have had site visits. The Wakefield
24 Kirkgate issue revolves around Platform 1 which, fortunately for us, is the platform
25 that the trains at the moment are platformed to go through, which are very
26 passenger-friendly, it is the platform nearest the entrance. That station has long-
27 enough platforms - but in poor condition and out of use at the moment.

28 The joint meetings that we have held with the current station facility owner,
29 with West Yorkshire PTE, led by the RPC, very ably I may add, and also
30 Wakefield Development Council have indicated a degree of improvements there
31 which we will be very keen to work with them on, one of which, within an
32 acceptable time scale, is to bring Platform 1 up to the required length.

33 In the event that that did not happen, the HMRI have accepted, subject to
34 some final risk assessment work that we are doing, a method statement for calling

1 our train at Wakefield Station, in the same way that they have accepted a method
2 of working that we have put together for calling our trains at Brighouse Station.

3 The railways, for too long, have had culture of "It is too difficult, we don't
4 want to do it". Our view is quite clear: if you talk to the right people and explain to
5 them in the right terms and actually make the site visits required, the railway is
6 very flexible in a way that it needs to become flexible in order to continue to make
7 these opportunities available.

8 THE CHAIRMAN: Thank you. We have talked to the HSE about the safety case and
9 that issue. Just generally on the issue of mobilisation and getting ready, it seems to
10 me that access to depots is going to be pretty critical because, in terms of making
11 this service work, you are going to need depot access and well-specified
12 maintenance.

13 I know that you are in commercial discussions on that, but in what sort of
14 time scale will you be expecting to agree access to depots?

15 MR WARREN BREEZE: I think we would expect to come back to you with a view
16 within a very short number of weeks on whether we had reached agreement on
17 access to depots on a voluntary basis. At the moment that appears it will be the
18 case, but we did, some months ago, have a sort of a slightly wider ranging
19 discussion with your Access Team on this issue, particularly in relation to perhaps
20 a degree of unwillingness by certain parties to enter into discussions on creating
21 station and depot access arrangements.

22 We were comforted to understand your powers in relation to directing
23 certain parties to enter into the necessary Depot Access Agreements should that
24 become necessary, although at the moment we do not envisage that will be the
25 case.

26 THE CHAIRMAN: I am just conscious of timescales. If there is a section 17
27 application, there are constraints that are set out in Schedule 4 of the Railways Act
28 1993 that will be important.

29 I am quite interested in Jim's comment on what happens when trains fail.
30 What happens with Hull Trains out of curiosity?

31 MR JIM MORGAN: What happens with Hull Trains is that GNER have got a fairly
32 intensive service and Hull Trains runs a too infrequent service. What we do, if one
33 of our trains fails and we have a load of passengers with dedicated tickets, we pay
34 GNER money to carry our passengers for us. We have agreed what the sum is and

1 it is not cheap, but it is only fair that GNER do get the money to carry our
2 passengers.

3 THE CHAIRMAN: Would Grand Central envisage a similar type of arrangement?

4 MR IAN YEOWART: Yes. As you may be aware, Chair, we are trying to enter into
5 some negotiations at the moment with various operators but, likewise, most of
6 them do not want to enter into any detailed discussion until the outcome of this
7 hearing. But that certainly is one of the areas that we would explore, including with
8 TPE and I am sure they would want to with us, from a passenger point of view.

9 At the same time, as most other operators do at times of total Network
10 shutdown, we have already got in place a provisional agreement for the movement
11 of passengers by road.

12 THE CHAIRMAN: Thank you.

13 MS DENISE LENNOX: Chair, just to confirm, when we ran the London services we
14 had a similar operation to rescue passengers if we needed to. There was of course
15 the issue of making sure that passengers were properly informed and adequately
16 informed when they are a long way from your source of operation and you do not
17 have staff yourself.

18 If I may just raise another point, I would be interested to understand where
19 Grand Central are getting their train crews from or when they are going to start
20 training them? I think a number of other people in the room may have similar
21 concerns.

22 MR WARREN BREEZE: I can confirm that we went to the market with an advert a
23 little while ago, at the start of February. We have had a very healthy response to
24 that and the number of applications is ten times over-subscribed. Clearly there are
25 going to be a number of people within that group who are already working within
26 the industry, some of them no doubt in existing driver roles. I note that in the paper
27 that has been circulated there has been a degree of concern expressed about that,
28 but I think we all have to be very realistic about this issue: it is people who have a
29 right to freedom of employment and to move if they see a better opportunity
30 elsewhere.

31 What I would just confirm for the record is nothing that we have done,
32 nothing that we intend to do will amount to what is regarded in the industry as
33 poaching from other companies. We would wish to fully respect the existing
34 contracts of employments of anybody who we were seeking to recruit to assist us

1 in operating our service.

2 MR STEPHEN RATTUE: Can I come in on that point because it is one that we made
3 in our response to the consultation. I hear what you say about potentially recruiting
4 from within and outside the industry. If you are recruiting from outside, it is a
5 12-month lead time for training drivers, so how does that fit with a start of service
6 in May?

7 MR WARREN BREEZE: I think we are aware of the lead time for training drivers and,
8 as I indicated, we were ten times over-subscribed from drivers, from people both
9 within the industry and outside. If we chose to go outside the industry route, we
10 would be aware of the lead times involved.

11 MR STEPHEN RATTUE: So they are likely to come from within the industry. What
12 impact does that have on existing operators from whom those staff will come?
13 Arriva have been through this before. We have been there, done it and do not want
14 to go there again. This is a potential time bomb for the new franchisee.

15 MR IAN YEOWART: I think, Mr Chair, what we are basically saying here then is that
16 the Network cannot grow in any respect because recruiting crews from within the
17 industry is obviously taboo. To my understanding, TPE have employed over and
18 above 200 additional staff required to run that service which, as we are hearing
19 today, for many years now, will virtually mirror to some degree what the current
20 TPE service is, albeit with some variations on various peak loadings at various
21 times.

22 The fact is, as Warren rightly pointed out, we live in a democracy where
23 there is freedom of movement between jobs. I would not like to think that anybody
24 restricted me from moving from one post to another, albeit that I have a post after
25 this hearing! That is how the law sits. That is how people would expect to be
26 treated within a democracy and nothing that we have done would affect, in any
27 way, anybody's contractual obligations to any current operator.

28 Any operator that is seeking to expand services necessarily will need to
29 continue to recruit staff but, at the same time, we must be aware that certain
30 aspects of the Network are seeing a reduction in the certain number of staff
31 required because of the loss of certain services which have gone unfortunately back
32 to the road.

33 THE CHAIRMAN: Thank you. I think we understand the issue. That is something that
34 we would need to decide how we would take it into account with all the other

1 matters.

2 MR STEPHEN RATTUE: If I can just add, though, within the industry the vast
3 majority of operators share their manpower plans for train crew so that we can plan
4 to twelve-month horizons. Operators like Arriva Trains are recruiting train drivers
5 and other operators then recruit from ours. So we need that sort of advanced notice.

6 MR WARREN BREEZE: I believe that the arrangements that have just been referred to
7 are partially facilitated through ATOC and, as The Office of the Rail Regulator
8 will be aware from previous correspondence, we wish to become a member of
9 ATOC. Some time ago, a number of difficulties were encountered which you
10 kindly intervened in that regard. Even at one point when we originally had been
11 told we could join, we sent our subs to become members of ATOC and the cheque
12 was returned to us. No thank you.

13 THE CHAIRMAN: That is a wider issue of which I think we are aware.

14 MR VERNON BARKER: I was just going to pick up on some of the earlier comments
15 which were brought up regarding failures in service and would TPE carry Grand
16 Central customers. Whilst we have not started negotiating yet on that point, I think
17 the issue really is that then leaves the subsidised railway running as it is, picking
18 up the performance risk or the performance cost of Grand Central. I think that is
19 actually more the wider issue at this point in time.

20 I obviously acknowledge and recognise the ATN position, that taking
21 drivers to operate services in either May or September, if they are not populated at
22 this point in time, will have a knock-on effect even on Northern services, and in
23 PTE areas and I do know some of the population that the ATN tell us are quite
24 narrow as they are on TPE at this point in time, until we get more plentiful on
25 complement.

26 So I suspect that if it is from within the industry, albeit the application of
27 ATOC rules or otherwise, there will be a knock-on effect on the Northern and TPE
28 services.

29 MR WARREN BREEZE: I think what would be the last word from us on this issue of
30 drivers, because drivers seems to be the critical issue that is being focused on here,
31 we are talking about a total of twelve people nationally and it is nationally from
32 where we have had the interest in the applications - twelve people in total.

33 THE CHAIRMAN: Thank you. Does anyone from the back row have any further
34 comments before I ask the SRA, Grand Central and then Network Rail to make any

1 final comments whereupon we will finish.

2 (No comment)

3 No. I would now like to call upon the SRA to make any final comments
4 before I close the proceedings.

5 MR GARY BACKLER: Thank you, Chairman. The SRA continues to oppose this
6 application because of the abstractive effects and because of the potential
7 performance risks. We do believe that the point that actually was articulated by
8 Vernon, but nonetheless is hidden in the background of this whole discussion, is a
9 concern about ultimately the taxpayer, through the franchised railway subsidising
10 an open access operator. We have a crucial concern about that, both in terms of
11 abstraction and in terms of performance impacts and their depressing effects on the
12 value of the franchised railway.

13 We do not believe that the benefits of this service justify the costs, either to
14 the industry or to the particular franchised operators involved.

15 We have fundamental concerns about the viability of the proposals. The
16 low fare policy that has been articulated today merely reinforces those concerns,
17 and whilst there are viability concerns around the franchises, and we have had a
18 few cases of those over the past few years, that is an instability imported into the
19 entire franchised railway. Again, that is not a consequence and not a phenomenon
20 that the SRA welcomes.

21 Our analysis suggests that the predominant flows will largely be drawn
22 from the East Coast Main Line. We think around 65% of Grand Central's business
23 will come from there. We think that those markets, those routes are well-served by
24 GNER and Virgin Cross Country, both of whom have invested significantly, partly
25 through their own resources and, again it has to be said, through SRA resources in
26 terms of the quality of their products.

27 I would stress the importance of performance and reliability in particular in
28 delivering passenger growth. We have very major concerns about what Network
29 Rail has quantified as a three per cent worsenment in delay minutes. We compute
30 that roughly to be worth £860,000 a year of disbenefit in performance terms alone.
31 That is outwith all of the disbenefit of the adverse perception of the general public
32 to performance issues on the railway.

33 One specific aspect of performance that I would pick up on, which again
34 we touched on late in the debate, but I would have to say the SRA has no desire

1 again to have to impose financial penalties on an operator on account of driver
2 supply, nor do we have any desire to go through the performance consequences of
3 such a shortfall of drivers. It was not just ATN; it was the SRA, it was the entire
4 railway industry that suffered from the level of service delivered a couple of years
5 ago while that was being worked through in the North.

6 TPE provide four trains an hour on the core Cross-Pennine route. That is
7 being offered against something like a 1.5 hour journey time. We think the services
8 that are being offered will only sap the existing market rather than contribute to
9 growing it and, in fact, could reverse the growth that is there if adverse
10 performance impacts roll out.

11 The low fare policy, I think it was quoted as being "always less than the
12 cheapest Network fare", seems clearly and explicitly an abstractive measure.

13 The admission on to the Network of Grand Central would clearly pose at
14 least uncertainty and, at worst, a very real franchise value hit on the sale of the East
15 Coast franchise which is currently underway and on other franchises,
16 Trans-Pennine and Cross Country as they fall due in due course.

17 Again, it will be the taxpayer that bears that hit on account of a Grand
18 Central operation, that claims to operate without the need for public subsidy.

19 Finally, I would note that Network Rail appear at this stage to be unable to
20 give any guarantees on the avoidance of future problems with SRA strategies. In
21 particular, we are aiming to publish a Greater Manchester and Trans-Pennine RUS
22 in, I believe, Spring 2005. Work on that will be getting underway later this year
23 and, again, the application in relation to Grand Central could well have
24 compatibility problems with the SRA's Route Utilisation strategies both for
25 Trans-Pennine and Greater Manchester and for the East Coast strategy which is
26 already in a very advanced stage of development.

27 Thank you.

28 THE CHAIRMAN: Thank you. Can I now ask Grand Central to make any final
29 comments.

30 MR IAN YEOWART: Yes. We have not prepared a statement, Chair, but it is
31 interesting to sit and listen. Not once have I heard the SRA mention any passenger
32 benefits at all that might accrue.

33 There was a statement at the beginning that there was a feeling it would
34 cost us about £5 million to operate and we would abstract about £1.25 million. It

1 seems to have been forgotten that we will also be investing into the Network.
2 Certainly our track access and station access charges will almost balance out the
3 alleged abstraction argument from our point of view.

4 I find it difficult to believe that the offer of cheap and easily available and
5 understood tickets is somehow a bad thing for the railway.

6 Everybody round this table who is a railway person understands quite
7 clearly the hard work being undertaken on capacity utilisation only improves a
8 situation in relation to a service like ours. We have been saying for 4+ years that
9 standard stopping patterns will help to improve the provision of rail on the
10 Network. Indeed, each one of our services, and you know how we have developed
11 the services, has a standard calling pattern, always has had a standard calling
12 pattern.

13 Services on the East Coast are well served by GNER and Virgin. We have
14 never made any complaints about that. Indeed GNER have seen their profits grow
15 by over 100% last year because of the improvements to the services and because of
16 people's perception of a high quality, high speed service on that route. However,
17 GNER do not really provide any journey opportunities north of Leeds, although
18 they provide loads of journey opportunities into Leeds from the south. We intend
19 to try to fill up some of the gap that is available there.

20 Neither GNER nor Virgin, after coming down the East Coast, provide any
21 westbound services into Lancashire and into West Yorkshire. That is an area as
22 well that we think we can generally bring vast improvements to the Network.

23 The adverse performance issue in relation to our services is something that
24 has troubled us for some time. The feeling would be that an open access operator
25 with four extra services a day will somehow cause all this adverse performance and
26 an impact on the SRA's finances, and yet Virgin's extension perhaps of services
27 that start at York to go back to Newcastle, running at the same speed on the same
28 line must surely have exactly the same performance implications that we would
29 have. Therefore, that would cost the SRA at least the same amount of money that
30 any service that we provide on that route would actually cost.

31 The core route for us, and it was quite critical that it has been mentioned,
32 we know the core route of Trans-Pennine is via Diggle which is the exact reason
33 why we chose not do go via Diggle and to look at creating new market
34 opportunities at Wakefield Kirkgate.

1 One of our trains conveys, in First Class, the equivalent of three Desiro
2 First Class carriages. So over a two-hour period, or over a four-hour period where
3 we are, we carry generally on a train equivalent numbers on a train per hour as they
4 would convey per hour.

5 If we wanted to run a regular service, we would have exactly the same
6 arguments about abstraction levels. It is an area that we will always have to fight
7 with. It is an area that will appear for any service that wishes to expand itself
8 beyond its franchise commitment and, indeed, you could take the view that every
9 train operator who wants to run an additional service is somehow an open access
10 operator.

11 For some it works. It did not work for First when they tried to go to
12 London. The rolling stock, in our view, had a great deal to do with that, but it has
13 worked for Hull Trains. In the same way that it worked for Hull Trains in bringing
14 new markets to Hull and Brough, it can work for Brighouse, Wakefield and
15 Rochdale and provide those communities with a much needed express link into the
16 rest of the Network.

17 THE CHAIRMAN: Thank you. Network Rail are of course the object of this
18 application, so I will let you go last.

19 MS BARBARA BARNES: That is very kind of you Chairman, thank you very much.
20 Actually I am going to be very brief. We are taking away a number of points that
21 were raised today and we will obviously come back to you on those points.

22 Apart from that, I have no further comments to the ones we have already
23 made during today's session.

24 THE CHAIRMAN: Thank you. First of all, we will let everyone see the draft transcript
25 as soon as possible. As I said earlier, amendments are to Hansard-type rules, to
26 correct infelicities of expression. If, however, you actually said something that you
27 now regret, then let us have a separate note, please, otherwise people say,
28 "Actually it has changed the meaning of what I then said." So if you want to add
29 anything, there is no difficulty, but do that in a separate note and we can circulate
30 that to others.

31 We are very keen to reach a decision on this application before the end of
32 April. In order to do that we need to define the next steps. We will send a note
33 around saying what these are, but the key ones, as I see it, are firstly we will want a
34 meeting between Grand Central and ORR just to talk through the business plan

1 assumptions and also the performance issues we have been talking about today.

2 Secondly, we will want to undertake a further review of the performance
3 modelling outputs because I certainly got lost when some of the percentages were
4 being quoted and I just want to understand what the issues are there.

5 Thirdly, we will want to have a session with Network Rail and hopefully
6 with FNW and Grand Central and the PTE, if they wish, to talk about the
7 operational situation at Manchester Victoria and on the Oldham Loop, post the
8 Oldham Loop closure.

9 Finally we will want to have a discussion with the SRA about revenue
10 effects, in particular, to fully understand the effect on the financial position of the
11 SRA because it is clearly an important issue.

12 As I said, we are very keen to reach a decision on the application by the end
13 of April so we will be putting on a certain amount pressure to try to get those
14 meetings in over the next fortnight because we will then need to consider our
15 decision internally.

16 With that, I would like to close the proceedings. We almost got within ten
17 minutes, so perhaps we can call that a PPM arrival, it's certainly a long-distance
18 hearing! I would like to thank everyone for coming. I would like to thank everyone
19 for the constructive spirit in which they have approached things and for their
20 contributions to the hearing. Thank you very much.

21 Finally, I would like to thank the stenographer for her work..