



CÒMHDHAIL ALBA TRANSPORT SCOTLAND

RAIL 2014 – PUBLIC CONSULTATION

CO-CHOMHAIRLE RÈILE 2014



Rail 2014

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Ministerial Foreword

A railway attuned to Scotland's needs

We believe that an efficient railway, attuned to Scotland's needs, plays a key role in enabling delivery of the Scottish Government's Purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

In 2014 both the current contract for rail passenger services and the funding arrangements for Network Rail in Scotland will need to be renewed.

Our ambition is to have a railway that offers value for money, ensures that the railway industry acts in a coordinated, integrated manner, and, most importantly, has passenger interests at its heart.

We are therefore considering how our railway should develop and what services passengers will need. This consultation is a crucial part of our considerations.

We believe that we can achieve a distinctly Scottish railway, attuned to the needs of our country and operated in an integrated manner that incorporates the best private sector attributes with the ethos of public service.

In this consultation document we provide details of how the railway in Scotland operates today and we set out the questions and options which we have to address.

This consultation is focusing on the provision of rail passenger services. We conducted, in 2009, a consultation on our vision for rail freight in Scotland. The responses to both consultations will be used to inform our decisions on how we will specify and fund the train services and infrastructure of our future railway.

The publication of this document is just the start of our stakeholder engagement. We will be talking and listening to passengers, and those who don't currently use the railway, as well as interest groups across the country.

For our future, integrated railway to be attuned to Scotland's needs we need your views. We therefore, encourage you to read this consultation document, consider the issues which are important to you, and send us your comments.



Alex Neil MSP
Cabinet Secretary for Infrastructure
and Capital Investment



Keith Brown MSP
Minister for Housing and Transport

Executive Summary

1. The year 2014 is a milestone in the evolution of our railways, with both the contract for rail passenger services and the financial arrangements for Network Rail due for renewal. We are therefore considering how our railway and services should develop to meet the needs of passengers, so that we can put appropriate contracts and funding arrangements in place from 2014. This consultation is a crucial part of this consideration, and this document outlines the key facts about the railway today and sets out the questions and options which we have to address.

Setting the scene

2. In Section 1 we provide details of the Scottish rail network today, who is involved, how it is structured, and how much it costs. The Scottish rail network is extensive and diverse with around 2,800 kilometres of track, a quarter of which is electrified, and 350 stations. It is a mixed-use railway with both rail passenger and freight services. There are around 78 million passenger journeys a year on ScotRail services, with a further 6 million passenger journeys across the border to and from England. Demand for ScotRail passenger services has increased by 25.5% over the last 7 years and this demand is expected to continue to grow.
3. The Scottish Ministers specify and contract for ScotRail passenger services and fund the maintenance, renewal and investment activities delivered by Network Rail within Scotland. Recent additional investment to improve Scotland's rail services, along with rising costs in the rail industry, has increased the cost to the Scottish Government to over £700m in 2011/12.
4. Section 2 provides an overview of transport policy and how the rail industry is changing. Transport is key to the Scottish Government's Purpose of increasing sustainable economic growth and is an essential part of our Government Economic Strategy (GES). Our policy has been to further the aims as set out in *Scotland's Railways*.
5. Recent structural developments including Network Rail's decentralisation of activities to Scotland will need to be taken into account as we work out our future rail strategy for Scotland. We see a need for greater integration of the rail industry so that it improves its focus on delivering customer-outcomes at a lower subsidy cost.
6. Our ambitions are for a passenger-centric, cost-efficient, and significantly, better integrated railway. Our challenge will be to ensure that these key priorities can be balanced with enabling more people and freight to use the rail network, and encouraging more freight to be carried by rail, whilst making rail operations more cost-efficient.

Procuring rail passenger services

7. In Section 3 we consider the options around contracting for rail passenger services. We have concluded that at the current time we are limited to using the franchising mechanism, however we have flexibility over the model or form the franchise should take. We are considering a range of options including separate franchises for sleeper services and other elements of the network such as inter-urban lines, for example the main Edinburgh – Glasgow line. We are also looking at the option of having a single franchise for the whole network but operating under a dual-focus arrangement, with clearly defined economic and social routes.
8. This Section raises issues which influence the length of contracts such as industry investment, the efficiency challenge, future organisational and operational restructuring and possible constitutional change. The merits of providing opportunities for third parties to promote enhanced rail services and facilities are also discussed.
9. Once we have concluded our policy considerations we will be drawing up our High Level Output Specification for Network Rail and the specification for the next franchise contract. As part of that work there are a number of contractual issues that we will need to address and on which we would welcome views, including the amount of flexibility we give operators, how to assign risk, what incentives should be included, and issues around performance bonds and guarantees. It is our intention to adopt a more outcome-based approach to the franchise.

Achieving reliability, performance and service quality

10. In Section 4 we address one of the top priorities for passengers: that rail passenger services are reliable and punctual, in other words that they actually run and they operate to the published timetable. Reliability and punctuality require coordination across the rail industry. We are currently considering how to simplify the performance regime in Scotland and how to make it relate more to the actual impact on passengers, and to reflect the consequent economic and social cost of train delays. The issues we are looking at include: how to define whether a train is late; whether performance should be measured by individual route; how to reflect passengers interests, and what should be the relative priority of journey times and reliability.
11. This Section also discusses the appropriateness of continuing the Service Quality Incentive Regime (SQUIRE) which assesses station and train quality.

Scottish train services, fares and stations

12. In Section 5 we discuss the delivery of rail passenger services that are wholly within Scotland and are operated by ScotRail. We are considering how to address capacity issues within the urban areas and are particularly

looking at how to encourage better use of the network in the off-peak periods and, more generally, on rural lines. We are also considering what criteria should be used to determine what rail services are required for the future franchise, and how to specify the services that need to be subsidised. We also raise the issue of increasing flexibility through greater use of interchange stations. Across Scotland we want to maximise growth and expansion on the routes where revenue generation potential is highest. We also want to continue to encourage modal shift in those parts of Scotland where the revenue on the routes does not cover costs, but where there are wider policy aims to be met.

13. Fares are a key lever which can help encourage modal shift to rail, but fares policy also needs to be considered in terms of ensuring the rail network remains financially sustainable for the Scottish Government. Currently, ScotRail passenger revenue meets only about one quarter of the total costs for the provision of ScotRail services on the Scottish network. In Section 6 we consider issues that need to be taken into account when developing the rail fares policy within Scotland, including regulated fares, capacity, season tickets and smart ticketing. We are considering what the appropriate balance should be between taxpayer subsidy and passenger revenue in funding rail operating costs.
14. A relatively high number of our stations currently serve less than 20 passengers per week. There are also a significant number of stations which are less than one mile from another rail station offering similar services. In Section 7 we discuss the issues surrounding the location of stations, the management of stations and the facilities that passengers require at stations. We do not intend to reduce the number of stations on the network. We are however considering the possibility of attuning the number and location of stations to provide improved services for Scotland. We are also considering whether we should enable proposals for new stations where they are to be both funded and operated by third parties.

Cross-border services

15. In Section 8 we discuss how we might wish to re-configure the operation of cross-border rail services when they are in Scotland. Cross-border rail services, those which run between Scotland and England, are provided by train companies operating under franchises let by the UK Government through the Department for Transport (DfT).
16. While Glasgow Central and Edinburgh Waverley act as terminus stations for Virgin and First Transpennine services, a number of cross-border services operate beyond Edinburgh Waverley to stations in Scotland. Analysis of passenger numbers has shown, however, that the service capacity beyond Glasgow and Edinburgh on these cross-border trains is frequently underutilised. We are therefore considering whether services north of Edinburgh should be provided by the Scottish franchisee, with Edinburgh becoming an interchange hub for cross-border services in the east of the country in much the same way that Glasgow acts as a cross-border hub for the west of the country. Onward connectivity will be crucial

to the success of the hub scenario and we would look for increased service frequency and journey opportunities, so that the maximum value could be obtained from this arrangement.

Rolling stock

17. The current rolling stock fleet for ScotRail consists of 142 electric units (EMUs) and 155 diesel units (DMUs). Leasing the rolling stock cost ScotRail £86 million in 2010-11. In Section 9 we look at the issues surrounding the leasing, renewing, and purchasing of trains. A large proportion of the diesel fleet is expected to reach its withdrawal date between 2018 and 2020 and will need to be re-engineered, refurbished or replaced.

Passengers – comfort, security, information

18. Passengers will be at the heart of our considerations, and we need to continue to strive to provide a high quality passenger experience. We are already working with the rail industry to improve mobile communications, including Wi-Fi type services. A variety of passenger issues are discussed in Section 10 including on-train staff, travel information, passenger security, Wi-Fi and first-class services.

Caledonian Sleeper

19. There are currently two rail sleeper services operating between Scotland and London. We are considering, in Section 11, a number of options for the future provision of sleeper services, for instance: removing or increasing financial support; and reducing the provision, either through removing the Highland or Lowland service, or by running the Lowland services to and from Edinburgh only.

Environmental issues

20. Rail travel is considered as one of the greener forms of travel, and an integral component of Scotland's transport system. The transition to a low carbon economy is central to the Government Economic Strategy and we, and the rail industry, recognise that there are still many ways that rail can reduce its environmental impact. In the Section 12 we provide an overview of the environmental issues which will underpin our considerations on the future of rail passenger services.

The consultation process

21. The closing date for this consultation is 20 February 2012.

22. The outcomes of this consultation will be published later in 2012.

1 - Rail in Scotland

Rail network

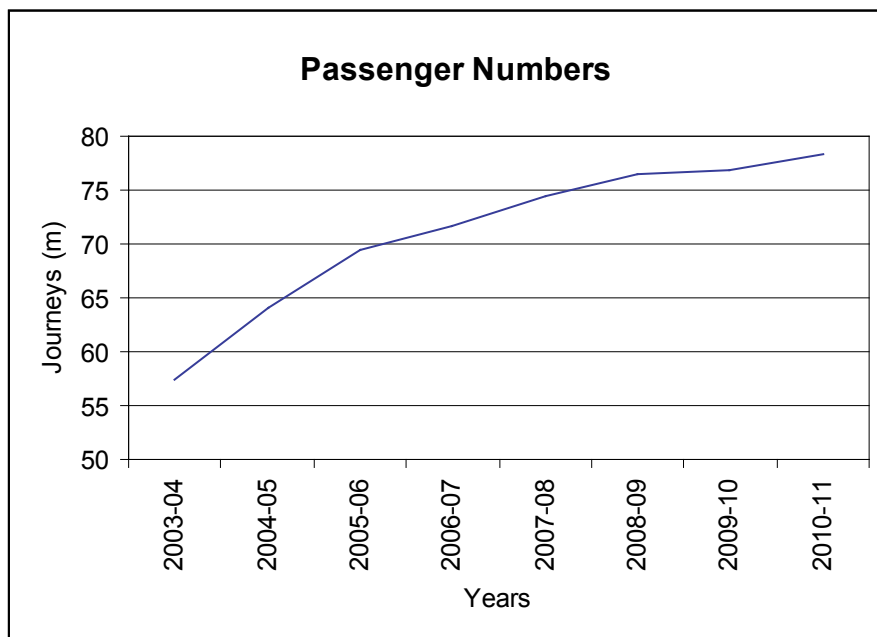
- 1.1 The Scottish rail network is extensive and diverse and of a similar size to many independent rail systems in the smaller countries of Europe. With around 2,800 kilometres of track (25% of which is electrified) and 350 stations, the rail system includes the most heavily used commuter network in the UK outside London, as well as regional routes which provide lifeline connections to remote communities and promote tourism. It is a mixed-use railway with both rail passenger services and freight companies using the network.
- 1.2 Over the last eight years there has been considerable investment in the Scottish rail network, with improvements to capacity and the opening of new lines: Larkhall-Hamilton, Stirling-Alloa-Kincardine, and Airdrie-Bathgate. There are also further improvements on-going with the Borders Railway and the Edinburgh-Glasgow Improvement Programme.

Demand

- 1.3 Around 78 million passenger journeys¹ are made each year within Scotland on ScotRail services, of which the majority (63.87% of the total) are made in the Strathclyde area. Strathclyde is the largest and most used suburban rail network in the UK outside of London. There are also around a further 6 million² passenger journeys across the border to and from England.

Table 1 : Profile of Rail in Scotland	2009
Km rail routes (passengers and goods)	2,759 [^]
Rail passenger journeys per annum (includes cross-border journeys)	84.5 million [^]
ScotRail passenger km per annum	2.53 billion [*]
Tonnes rail freight lifted in Scotland per annum	10.33 million [^]
Refs: [^] (2008/09), [*] (2009/10); Source Scottish Transport Statistics 2010	

- 1.4 There is increasing demand for rail passenger services, with ScotRail passenger numbers increasing by 25.5% since the start of the current franchise (contract) in 2004.



- 1.5 Demand is expected to continue to grow. The demand for rail travel in the Glasgow conurbation is forecast to increase by between 24% and 38% by 2024-25. The Edinburgh growth for the same period is forecast to be between 90% and 115%. Strong growth is also forecast in areas outside the Scottish central belt³.

¹ 2010/11 ScotRail passengers 78.1 million (does not include passengers travelling with other operators).

² Table 7.4, Scottish Transport Statistics No 29: 2010 Edition (figures for 2008/09)

³ *Scotland – Route Utilisation Strategy Generation two*, Network Rail, June 2011

Structure

1.6 The current operations and governance arrangements of the Scottish and GB rail network are complex:

- All the railway track in Scotland is owned by Network Rail, except for track in privately owned freight yards or heritage railways. Train Operating Companies enter into contractual agreements with Network Rail for the use of rail facilities – the track, stations and depots.
- All the stations in Scotland are currently owned by Network Rail except for Prestwick International Airport Station. Almost all of these stations are then leased to the ScotRail franchisee. Network Rail manages Glasgow Central (high level) and Edinburgh Waverley stations and the rest are leased to ScotRail and operated by them, except for Dunbar which is operated by the train company providing East Coast services.
- The trains are owned by Rolling Stock Leasing Companies (ROSCOs), and are leased to the various Train Operating Companies (for example First ScotRail Ltd).
- Rail passenger services that start and finish in Scotland are currently provided through a franchise operated by a private company, currently First ScotRail Limited (the franchisee). These services are subsidised and specified by the Scottish Government.
- The current franchise also covers the Caledonian Sleeper services to and from London Euston.
- Other cross-border rail passenger services are provided by other franchises, which are funded and specified by the UK Government through the Department for Transport (DfT).
- Freight services are a commercial matter and decisions to run freight services are taken by Freight Operating Companies (FOCs) and their customers. FOCs also have to enter into contractual agreements with Network Rail for use of the track.
- The Glasgow Subway (underground) is not part of the heavy rail network. It is owned and managed by Strathclyde Partnership for Transport. Issues relating to the Subway are not covered by this consultation.
- The Office of Rail Regulation (ORR) is the independent economic and safety regulator for Great Britain's railways. Network Rail's activities and funding are regulated and monitored by the ORR. The Scottish Ministers can issue Guidance on how the ORR carries out its duties in respect of Scotland.
- Passenger Focus is the body which represents passengers and is the passenger rights ombudsman. It is sponsored by DfT and the Scottish

Ministers appoint one of the board members. The ORR also has a role in protecting the position of passengers.

The Scottish Ministers

- 1.7 Under the Railways Acts⁴ we are responsible for funding and specifying the rail network in Scotland and for setting the long-term vision for rail in Scotland. This means that we specify and contract for rail passenger services and fund the maintenance, renewal and investment activities delivered by Network Rail within Scotland. However, responsibility for primary legislation dealing with the provision and regulation of Railways remains largely reserved to the Westminster Parliament. In addition, many railways-related government functions remain reserved to the Secretary of State.
- 1.8 The current contract (franchise) for rail passenger services ends in 2014, as do the current funding arrangements for Network Rail. We are therefore considering the options for the way forward from 2014.
- 1.9 Our ambition is to have a railway that offers value for money, ensures closer working and integration between Network Rail and the service operator and, importantly, has the passenger interests at its heart.

Costs

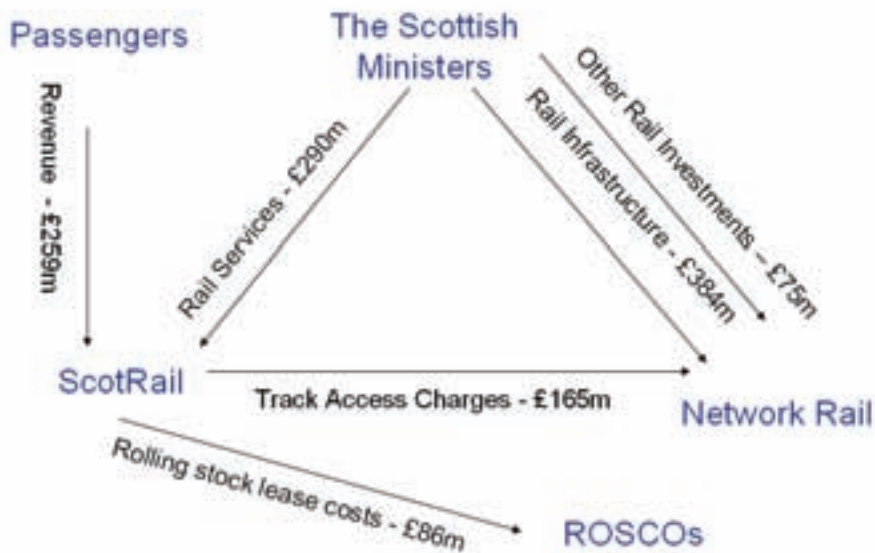
- 1.10 Investment in more and better rail services, along with rising costs in the rail industry, has increased the amount of funding we have to provide for Scotland's railways to over £700m in 2011/12. The main costs are for infrastructure, managed by Network Rail, and rail passenger services delivered by the franchisee (First ScotRail Ltd).

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Indicative 2012/13	Indicative 2013/14
Rail Infrastructure in Scotland (Network Rail)	357.9	366.5	382.7	364.3	331.4	426.1	290.7	283.2
Rail Services in Scotland (ScotRail Franchise)	312.2	304.3	306.2	295.2	315.2	299.5	447.4*	511.5
TOTAL	670.1	670.8	688.9	659.5	646.6	725.6	738.1	794.7
*Fluctuations in subsidy payments are due to the ORR determined flow of finance (for fixed track access charges) to Network Rail through the franchise.								
Additional funding is also provided for the delivery of major rail public transport projects including the Edinburgh-Glasgow Improvement Programme and the Borders Railway								

⁴ Primarily the *Railways Act 1993* (1993 c.43) and *Railways Act 2005* (2005 c.14)

- 1.11 The costs for the infrastructure element include the costs of operating, maintaining and renewing the physical infrastructure. This also includes the finance charges to pay for improvements.
- 1.12 The costs for the rail passenger services include the operational costs such as leasing of rolling stock and the charge for accessing the track.
- 1.13 The Scottish Rail Cash Flows diagram illustrates the financial flows through the rail industry in Scotland. This diagram shows the direct level of support provided by the taxpayer through the government to the industry. The direct revenue contribution from passengers is £259 million, 26% of the total.

Scottish Rail Cash flows – 2010/2011 – Actual Spend*



*All figures published in Transport Scotland Annual Report and Accounts 2010/11, except for ScotRail revenue figure supplied by First ScotRail. Figures are actual spend, not budget. "Other rail investments" is for specific projects and originated from other Transport Scotland budget lines.

- 1.14 With both the new contract for rail passenger services and a new financial settlement for Network Rail due to start in 2014, we have an opportunity to determine the appropriate level of subsidy for the railway in Scotland.
- 1.15 The financial realities of funding the rail services in Scotland mean that we have to take a clear and strategic view as to the priorities for our funding. This consultation is being conducted to look at what rail services we can provide that best meets the needs of the Scottish economy, businesses, passengers and communities, against a backdrop of decreasing budgets.
- 1.16 We should be in a better position to consider and address these issues once this consultation is complete.

2 - Transport policy and structural developments

Scottish Transport Policy

2.1 Transport is key to the Scottish Government's Purpose of increasing sustainable economic growth and is an essential part of our Government Economic Strategy (GES)⁵. The GES identifies the six strategic priorities which will accelerate recovery, drive sustainable economic growth and develop a more resilient and adaptable economy. Transport infrastructure - roads, rail, airports and ports - and the people and businesses that use these assets - are all important components of Scotland's economy.

Government Economic Strategy – Transport Priorities

- Focus investment on making connections across, within and to/ from Scotland better, improving reliability and journey times, seeking to maximise the opportunities for employment, business, leisure and tourism
- Invest in maintaining our existing transport infrastructure to ensure it remains safe and reliable, so safeguarding current connectivity
- Facilitate the transition to a low carbon economy by providing integrated and cost-effective public transport and better connecting people, places and work
- Safeguard transport links to remote and rural communities and support economic growth in remote communities such as the Western Isles through encouraging tourism by rolling out the application of the Road Equivalent Tariff
- Build the Forth Replacement Crossing, so providing continuation of a key linkage for the whole of Scotland
- Take forward key rail projects to provide fast and efficient transport to boost productivity, facilitate connectivity and promote our transition to a low carbon economy
- Ensure Scotland is well connected with the rest of the world by working closely with the air, rail and sea transport industries to actively promote new international routes, services and sustainable infrastructure

2.2 The transport network needs to serve a country of 79,000 square kilometres and a population of just over 5 million. It needs to cover both the busy urban areas and the more sparsely populated rural areas and islands, for which transport is often described as a lifeline service. Rail

⁵ *The Government Economic Strategy*, The Scottish Government, 2011

passenger services are an integral part of public transport provision in Scotland.

2.3 The *National Transport Strategy* (NTS)⁶ sets out the overarching transport policy for Scotland, and provides a structure against which questions of investment, priorities and policies can be judged. The NTS is supported by four specific action plans and reviews including *Scotland's Railways*⁷, which was published in 2006 and sets out a vision for the rail network over 20 years to 2026.

2.4 The aim of *Scotland's Railways* is to:

- offer world class train services which connect our city regions and major towns, providing journey times and quality of service that are competitive with car and air
- provide access to inter-urban services through high quality interchange stations that link with feeder rail services from intermediate stations and offer easy transfer from car, bus, tram, subway, ferry, cycle and walking
- make commuter train services attractive to passengers by ensuring that the journey to work is a high quality, reliable travel option and by ensuring that our rolling stock choices take account of environmental considerations, including air quality and noise emissions
- support heavily loaded freight trains carrying an increasingly wide range of products with effective interchange to road and sea
- achieve a rail industry that delivers efficiently and effectively to support our aims and vision

2.5 Following on from the *National Transport Strategy* the *Strategic Transport Projects Review* (STPR)⁸ defines the strategic investments in Scotland's national transport network from 2012. The STPR includes a range of interventions for the rail network including a major electrification programme, reconfiguration of the national rail timetable, and strategic rail improvements and enhancements. The three main rail priorities identified are:

- Edinburgh to Glasgow Rail Improvements Programme (EGIP)
- Highland Mainline Improvements between Perth and Inverness
- Aberdeen to Inverness Rail Improvements

2.6 These projects, and others already completed, enable the provision of improved passenger services and the movement of freight.

⁶ *National Transport Strategy*, Scottish Executive, 2006

⁷ *Scotland's Railways*, Scottish Executive, 2006

⁸ *Strategic Transport Projects Review*, Scottish Government, 2010

- 2.7 The Scottish Government's *Infrastructure Investment Programme (IIP)*⁹, which is currently being reviewed, covers all our expenditure on infrastructure setting out a pipeline of projects for delivery over the medium to long-term. The Transport Sector Plan within the IIP outlines a set of transport projects which is based on the recommendations from the STPR and focuses on the mechanisms to deliver funding for such projects.
- 2.8 In contrast to passenger services, freight services are not specified by Government, with the choice of transport mode being a commercial decision for the freight operator and customer. We are, however, looking to encourage an increase in rail use as rail produces significantly less emissions per tonne than road.
- 2.9 In 2009, Transport Scotland consulted with key stakeholders on its vision for rail freight in Scotland¹⁰,
“where the infrastructure and the co-operation between Government, wider industry and customers is conducive to an expansion of rail freight movements, with a focus on modal shift away from less sustainable transport”.
- 2.10 Responses received from industry partners, end users, local authorities and others expressed agreement with our aims and a real desire to work in partnership to overcome obstacles to more rail use. This does, however, highlight the ever increasing need to ensure a balance is struck between freight and passenger services on our mixed-use rail network, particularly as there is only a finite amount of capacity to enable both freight and rail passenger services to operate.

Structural developments

- 2.11 We can set the strategic direction for rail in Scotland and specify infrastructure investment and passenger services. The UK Parliament and the UK Government, however, retain responsibility for rail issues including regulation, safety, standards and negotiating European developments.
- 2.12 Recent rail policy developments have been dominated by the Rail Value for Money (RVfM) study carried out by Sir Roy McNulty. The RVfM was jointly commissioned by the UK Secretary of State for Transport and the Office of Rail Regulation. It specifically covers the statutory functions of the Secretary of State, which relate primarily to rail services in England and Wales, but also include cross-border services and safety and standards across the whole of the GB rail network. Following the publication of this report the Department for Transport (DfT) is considering its options for rail reform in England and Wales in advance of publishing a statement on rail later in 2011.

⁹ *Infrastructure Investment Plan*, The Scottish Government, 2008

¹⁰ *Rail Freight Policy Consultation*, Scottish Government, 2010

- 2.13 The DfT lets and manages franchises for rail passenger services across England and Wales, including the cross-border services which operate in Scotland (see Section 8). The DfT has recently reformed its rail franchising process and will be inviting companies to bid for nine contracts between now and 2014.
- 2.14 The Scottish Ministers are responsible for the internal Scottish rail services. The planning and specification of the future ScotRail contract for rail passenger services, as well as any infrastructure investments, will be driven by our policies and priorities and the prevailing condition of the Scottish economy. This consultation is an integral part of that consideration.
- 2.15 Network Rail has also recently undertaken an internal restructuring. This moved responsibility for its Scottish operations to a Route Managing Director based in Scotland. This decentralisation seeks to give more power, responsibility and accountability to Scotland, covering the following areas:
- delivery of safety policy
 - all customer service matters
 - asset management outputs and spend
 - operations
 - planning and delivering maintenance
 - delivery of some renewals and enhancements
- 2.16 We welcome the new decentralised structure which should help to align Network Rail more closely to the needs of its customers in Scotland and assist with our ambition for greater operational integration of activities between Network Rail and the rail passenger service operators.

Industry Integration

- 2.17 In our view the need for greater integration of activities is self-evident: to align the industry so that it focuses on delivering customer-outcomes at a lower subsidy cost.
- 2.18 We therefore need the relationship between Network Rail and the rail passenger service operators to be aligned with improvements to planning, project management, safety, performance and greater cost efficiencies.
- 2.19 These improvements can be delivered better by the industry acting in a co-ordinated, integrated manner. Accordingly, we are considering mechanisms that we can take forward through the High Level Output Specification and the ScotRail franchise that will ensure the alignment of operational structures, interfaces and incentives, so that the industry is

integrated, more properly focussed and able to achieve the improvements sought. This consultation will be a significant contribution to inform those mechanisms.

Industry Views

2.20 We note that the railway industry in Scotland has set out, in its *Initial Industry Plan*¹¹ (IIP) 2011, its proposals to deliver a more efficient and better value railway from 2014. The IIP examines choices and options for us to consider in specifying the future outputs of the railway and the required level of funding support.

2.21 We will be reviewing the plan in the coming months and, together with responses to this consultation, it will feed into the development of our High Level Output Specification for Network Rail for the period 2014-19 and for the contracting of future rail passenger services.

Rail passenger views

2.22 Our ambitions are for a passenger-centric, cost-efficient, and better integrated railway. Passenger requirements are central to our policy considerations, and accordingly we are reviewing closely research carried out by Passenger Focus, including its National Passenger Survey.

2.23 Passenger Focus carried out research into the priorities for passengers across Great Britain¹² and concluded that the top priorities for Scottish respondents mirrored those across Great Britain. The priorities were:

- value for money of tickets
- reliability and punctuality of trains
- frequency of services
- ability to obtain a seat
- availability and accurate information, particularly when trains are delayed

2.24 Our challenge will be to ensure that these key priorities can be balanced with encouraging more people to use the rail network, and encouraging more freight to be carried by rail, whilst making the rail network more cost efficient.

¹¹ *Initial Industry Plan Scotland: Proposals for Control Period 5 and beyond*, Planning Oversight Group, September 2011

¹² *Passengers' priorities for Improvements in Rail Services*, Passenger Focus, 2010

3 - Procuring rail passenger services

- 3.1 The Scottish Ministers have responsibility for procuring rail passenger services which operate wholly in Scotland. There is currently one contract, a rail franchise, operated by First ScotRail, and this is due to end in November 2014.
- 3.2 The rail infrastructure is managed by Network Rail. For financial planning purposes Network Rail works within five-year 'Control Periods' each one beginning on 1 April and ending on 31 March to coincide with the financial year. The next control period starts on 1 April 2014. Prior to the commencement of the next control period we will issue our High Level Output Specification which sets out what we would like Network Rail to achieve during that period.
- 3.3 We are therefore currently considering how to procure and supply rail passenger services from 2014, and what we would like Network Rail to achieve from that point. This consultation will inform our choices.

Scottish franchises

- 3.4 Since privatisation in the mid 1990s, Scottish rail passenger services have been contracted through two franchises.
 - **Franchise 1** – The National Express Group became the first franchise holder in April 1997, holding the contract until October 2004. The contract was issued by the Office of Passenger Rail Franchising with the involvement of SPT for services in the Strathclyde area.
 - **Franchise 2** – This is the current franchise and is operated by First Group. The contract was let by the former Strategic Rail Authority (SRA) following Directions and Guidance issued by the Scottish Ministers in 2002. The contract came into effect in October 2004 and was originally let for 7 years with an option for a three year extension. The Scottish Ministers assumed responsibility for managing and monitoring the ScotRail Franchise as a result of the Railways Act 2005. On 2 April 2008 the Scottish Ministers executed the extension option in the contract, so the contract expiry is now 2014.
- 3.5 The Scottish Ministers are now responsible for the letting of the future contract for rail passenger services.

Options for the future

- 3.6 The current legal framework puts a number of constraints on how we might provide rail services in Scotland:
 - The European Union's First Rail Package¹³ requires a degree of separation between the organisation which operates the rail

¹³ Directives 2001/12/EC, 2001/13/EC, 2001/14/EC of the European Parliament and of the Council of 26 February 2001

infrastructure and the organisation which operates the rail passenger services. It also requires that there is a level of separation between both these organisations and government.

- Under UK legislation¹⁴ the Scottish Ministers and any other UK public sector bodies are statutorily prevented from providing designated passenger rail services. However, there is no corresponding statutory ban on foreign public sector bodies being able to bid for and operate UK franchises.
- In addition, under UK legislation, the rail passenger services funded by the Scottish Ministers can in practical terms only be provided through a franchise. The Scottish Parliament does not have the power to change this UK legislation.

3.7 Whilst we would have liked to have been in the position of at least having a range of options available to us, we have concluded that, under prevailing legislation, we are limited to contracting for rail passenger services by means of a franchise. Consequently, we cannot plan to operate the franchise as a state enterprise or enable or support other Scottish public sector bodies to provide rail passenger services.

Franchise or management contract

3.8 Although the legislation in practical terms requires a franchise to be put in place, it does not state what model or form the franchise should take.

3.9 A franchise is a form of contract. The contract can specify how the party providing a service, in this case rail passenger services, is to be rewarded for the provision of that service. That reward could be made in the form of a one-off fee (similar to a standard management contract) or by taking a share of the profit (the standard rail franchise).

3.10 The way we frame the contract or franchise could be, for example, as:

- a standard GB-style rail franchise, where the party supplying the rail passenger services pays a premium, or takes all or some of the operating profit
- a management contract, where the party supplying the rail passenger services receives a management fee instead of taking its income in profit

3.11 There is no presumption that the party supplying rail passenger services cannot be a mutual or a co-operative.

3.12 We are currently considering options for the framing of the contract or franchise and would be interested in your views.

¹⁴ *The Railways Act 1993* (1993 c.43)

Multiple franchises / operators

- 3.13 There is no statutory limit to the number of franchises that could operate in Scotland. ScotRail could be subdivided along lines that would create geographically or operationally distinct franchises, for example, the sleeper services, regional routes, all or some inter-urban services (such as Edinburgh - Glasgow). We are currently considering whether the Caledonian Sleeper Services, for instance, should be offered as a separate franchise, and further detail can be found in Section 11 of this document.
- 3.14 As well as having a number of franchises it would also be possible for those franchises to apply different types of operation. This could include, for instance, different levels of service specification within a single franchise. We think that having a single franchise of multiple service specification would allow us, for example, to define services where we consider there is a social requirement for their existence, whilst also allowing the franchisee to determine and develop the service requirements of the more commercial inter-city and commuter network. If this approach was taken the ScotRail franchise would be operated as two managed units:
1. **Economic rail** – the provision of services where the commercial risk is borne by the operator, where industry would be willing to invest, and where the industry would be given freedom to change its operations in response to demand. In order to safeguard passenger interests the operator would have to comply with a number of requirements and a minimum service specification. It is likely that the inter-city routes and some of the commuter routes would fall into this category.
 2. **Social rail** – the focus for the provision of the services falling within this category will be to achieve particular social objectives, for example, economic and social stability in a particular locality, or to assist with regeneration. These services would be distinctly managed for a fee in accordance with social objectives to address local circumstances. There would be greater opportunities for community involvement in the specification of services, and local communities would be able to support the challenge of reducing the gap between revenue income and subsidy. It is likely that most of the rural lines would fall into this category.
- 3.15 The two managed units as outlined above would clearly require different incentives and safeguards. However, whilst being managed and reporting for different outcomes, we would not wish to have two separate and distinct railways. The ScotRail services would be one operation, contracted through a single franchise, where the franchisee is able to maximise the opportunities and flexibilities in meeting our objectives for economic and social rail.
- 3.16 The dual-focus franchise proposition, as outlined above, could be a significant contribution to achieving our objective of incorporating the

best private sector attributes with public sector ethos in the provision of rail passenger services in Scotland.

- 3.17 We welcome views on the number and extent of franchises and the merits of our proposition for a dual-focus franchise covering economic rail and social rail.

Length of contracts

- 3.18 There has been a call from the train operating companies to extend the length of franchises, in order, the companies say, to make it more attractive to invest in developing the rail network. However, there is no conclusive evidence that longer contracts will increase the level of investment from train operating companies. Indeed, it could be argued that shorter franchises ensure the testing of the market more frequently and therefore improve competitiveness. In addition, other mechanisms could be built into a short franchise, such as making allowance for residual asset value, so as to encourage investment from the franchisee.
- 3.19 We are mindful that the coming years are likely to bring significant organisational and operational change across the industry as it rises to the challenges identified in the McNulty report. Over the same period there may also be, particularly for Scotland, significant constitutional changes. Accordingly, we welcome views on the merits, or otherwise, of proceeding with a short-term franchise.

Third parties

- 3.20 We are considering whether there is merit in providing opportunities for third parties to promote enhanced rail services and facilities, provided that these do not adversely impact on the operation of the franchise, and are funded by the promoter for a specified period of time. At the conclusion of a specified period the service or facility could either be incorporated within the franchise, continue to be funded by the promoter or withdrawn. We are considering whether such an approach may encourage additional investment and welcome views on the merits and practicalities of such a proposal.

Franchising Policy Statement

- 3.21 In preparation for any re-franchising process, the Scottish Ministers are required under section 26 of the Railways Act 1993 to publish a Franchising Policy Statement. This sets out how we propose to exercise our powers in selecting a person who will provide passenger rail services under a franchise agreement. A draft statement was therefore issued for consultation in August 2010 and responses were published on the Transport Scotland web site in December 2010¹⁵. That consultation raised a number of issues which we would wish to address through this

¹⁵<http://www.transportscotland.gov.uk/strategy-and-research/publications-and-consultations/consultations/sr-franchise-responses>

more extensive consultation. Therefore we have decided that the formal Franchising Policy Statement will be published in early 2012, after this consultation has been concluded.

Stages of the franchising process

3.22 The process of letting a franchise can take some time. The indicative time-frame for letting the next franchise is set out in Table 3.

Table 3: Stages of the franchising process	
Specification – this sets out what the government requires from its franchise contract. This consultation will feed into this activity.	2011/12
Base Case Comparator Model – the government creates this model so that it can determine the likely cost of its specifications	2011/12
Pre-market consultation – the government starts talking to the market so that there will be a number of appropriate bidders in order to conduct a meaningful competition	2012
Announcing the intention to franchise – the government issues <ul style="list-style-type: none"> • a franchising policy statement • issues a notice in the Official Journal of the European Union • invites companies to fill in pre-qualification questionnaires 	2012
Pre-Qualification – the government marks the Pre-Qualification Questionnaire issued to potential bidders in order to determine those who are qualified to participate in a formal tender	2013
Competition – the government issues an invitation to tender to qualified bidders, inviting tenders and subsequently marking those tenders which are evaluated against the Base Case Comparator Model	2013
Contract award – the government awards the franchise to the most appropriate tender	2014
Mobilisation and Operation – the selected contractor prepares to take over, 6 months prior to start of contract, and the contract and new services is launched	April - November 2014

Contract issues

3.23 Once we have concluded our policy considerations and determined how we wish to see the rail network developed and what rail passenger services should be provided, we will be drawing up the High Level Output Specification for Network Rail and the requirements for the next franchise contract. As part of that work there are a number of contractual issues that we will need to address and on which we would welcome views:

- **Specification**

3.24 How the franchise contract is specified affects how the franchisee operates. A franchise can, for instance, be heavily specified with a large range of inputs. This could cover specifying how many services must operate between stations and include details of journey times, frequencies, times of day, and carrying capacity. The Association of Train Operating Companies has argued¹⁶ that there should be less detail in the contracts so as to enable operators to be more innovative.

3.25 We are keen to adopt a more outcome-based approach to the franchise, where through the franchising process bidders provide details of the costs of delivering the outputs rather than the actual cost of specified inputs. Accordingly, we need to determine the key outputs that we would require from the franchisee. Since we wish to place passengers' interests at the heart of rail passenger services we are considering a mix of passenger satisfaction measures as output measures. However, we are also keen to ensure that we obtain value for money. We believe that an output-based approach will focus the franchisee's attention on delivering improvements that matter to the passenger.

3.26 We will therefore need to design a contract which incentivises a franchisee to earn revenue against a set of contractually binding service measures. These could, for example, focus on the quality of stations, trains, information provision and customer service, as well as matters relating to crowding and punctuality. By focussing on outcomes we expect the franchisee to innovate to deliver efficiency improvements and thereby reduce the cost of providing rail services and the level of subsidy.

3.27 We welcome views on this outcome-based approach including what measures we should apply, and how we can incentivise the franchisee to achieve these outcomes whilst reducing the cost of the franchise to the taxpayer.

- **Revenue risk**

3.28 Franchise revenue is dependent on a number of factors: the performance of the wider economy; fares charged, and direct measures taken by the franchisee to increase patronage and/or operate more

¹⁶ *Franchise Reform- a better railway for passengers and taxpayers*, ATOC, 2010

efficiently. We are determined to ensure that any future franchise offers the best possible value for money to taxpayers and passengers.

- 3.29 In general, under a franchising regime, a franchisee would be expected to take revenue risk. In other words, in the case of a railway franchise, if revenue from fares is not as high as expected, the franchisee, and not the Government, would be expected to absorb any financial impacts. However, we recognise that the general state of the economy, as characterised by Gross Domestic Product (GDP) growth, may have a significant bearing on revenue and a downturn in GDP will be largely outside the control of the franchisee. We are therefore considering whether some form of risk support should apply if revenue growth is substantially less than forecast, which could threaten the overall viability of the franchise.
- 3.30 We recognise that the ScotRail franchise is a heavily subsidised franchise and therefore any Government support for risk may potentially increase the taxpayer's contribution beyond current levels. We may invite potential franchisees to bid for the contract based on a number of levels of risk. Accordingly, we acknowledge that any decision on risk will be intrinsically linked to requirements of performance bonds or parent company guarantees.
- 3.31 We welcome views on the principle of risk support and on appropriate mechanisms for setting the level of risk support, and how this can be reflected in the tendering process.
- 3.32 We are also keen to ensure that the taxpayer will benefit if the increased profits of a franchisee are as a consequence of macroeconomic and local economic growth rather than solely good management by the franchisee. We may invite potential franchisees to provide details of how they will determine what profit growth was due to the effects of the wider economy and what was due to their own actions. We may also look for a profit-share system, where at a certain point the Scottish Government would receive a share of profits generated by the franchisee.
- **Performance Bonds and Parental Company Guarantees**
- 3.33 Under the current franchising arrangements the ScotRail franchisee is required to hold performance bonds or parent company guarantees. These instruments ensure that the franchisee fulfils its commitments, and does not breach the terms of the franchise.
- 3.34 Performance bonds are held by the franchisee with commercial bond providers. In the event of the franchisee defaulting on the terms of the franchise, we can call on the amount of the bond to cover the costs of refranchising. The franchisee pays a premium to the commercial bond provider for the service. The level of the premium is determined on a risk basis and we currently pay franchisee enough to cover this premium as part of the overall franchise payment.

- 3.35 Parental company guarantees are a contractual undertaking that the owning company will put a specified amount of additional money into a franchisee that is failing financially, in order to prevent or postpone default on the franchise. The guarantee therefore acts to ensure that the parent company is at financial risk for substantial sums in the event that the franchise does not operate to the terms as agreed.
- 3.36 In short, performance bonds and parent company guarantees seek to address risk. However, the financial sums involved can be quite substantial and can have a bearing on the competitiveness of bids. If the bond market and the Government respectively set the performance bond or parental company guarantee too high then franchise bids will be uncompetitive as bidders merely seek to defray costs by requesting, in effect, larger subsidies. High performance bond levels could also prevent or discourage potential classes of bidders such as mutuals or co-operatives. However, if we set the level of performance bond or parental company guarantee too low we place the taxpayer at risk should a franchise default.
- 3.37 We welcome views on the role and level of performance bonds and parent company guarantees, and whether we should consider other mechanisms or sanctions. Our aim is to ensure that the risk of default is managed in a way that does not add substantial cost to the bid nor prevents organisations bidding but protects the interests of the taxpayer.

Questions	
01	What are the merits of offering the ScotRail franchise as a dual focus franchise and what services should be covered by the economic rail element, and what by the social rail element?
02	What should be the length of the contract for future franchises, and what factors lead you to this view?
03	What risk support mechanism should be reflected within the franchise?
04	What, if any, profit share mechanism should apply within the franchise?
05	Under what terms should third parties be involved in the operation of passenger rail services?
06	What is the best way to structure and incentivise the achievement of outcome measures whilst ensuring value for money?
07	What level of performance bond and/or parent company guarantees are appropriate?
08	What sanctions should be used to ensure the franchisee fulfils its franchise commitments?

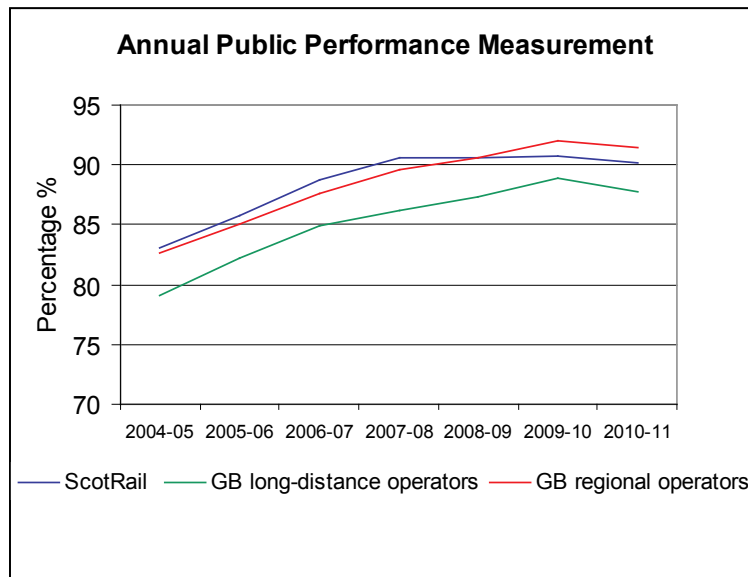
4 - Achieving reliability, performance and service quality

- 4.1 One of the top priorities for passengers is that rail passenger services are reliable and punctual¹⁷, in other words that they actually run and they operate to the published timetable. Reliability and punctuality require coordination across the rail industry, and specifically between the train operator (ScotRail) and the infrastructure manager (Network Rail).
- 4.2 Under the current Franchise Agreement, ScotRail's performance is determined against specific benchmarks, including punctuality (delay) and reliability (cancellations). There is a minimum level of performance with which the franchisee has to comply. However, if the actual performance is better the franchisee is financially rewarded by us through Performance Incentive Payments (PIP). Poor performance can reduce the level of these payments, however only in rare circumstances has performance fallen below target and a penalty been imposed.
- 4.3 In addition, each train operator (such as ScotRail) also has track access agreements with Network Rail which include rail performance measures. Under these agreements penalties are paid, if a train is late, by the company (Network Rail, train operator, or freight operator) responsible for the delay to the companies which were affected. This process is moderated by the Office of Rail Regulation (ORR).

Reliability and performance

- 4.4 Train performance is also currently measured through the Public Performance Measurement (PPM). PPM is a composite measurement of punctuality and reliability. It was established in 1997 as a means for measuring improvements to the rail system over time. We specify the Scottish PPM through the High Level Output Specification.
- 4.5 The Office of Rail Regulation uses PPM as one of its Key Performance Indicators for regulating Network Rail, and we specify what level of PPM is required for Scotland. The PPM is included in the specification to Network Rail for its Outputs. During the period April 2009 – March 2014, we set Network Rail a target of 92% PPM for ScotRail trains. Achievement of the target requires both Network Rail and ScotRail to work cooperatively. We are considering whether we need to change this target for the next franchise and the next Control Period.
- 4.6 ScotRail's PPM performance has steadily improved from when the franchise was awarded in October 2004. It has increased from 83.7% to 89.9 % in April 2011, reaching a record level of 91.3% in the middle of 2010. However with the exceptionally severe weather last winter the overall average for 2010/2011 dropped to 89.9%.

¹⁷ *Passengers' priorities for Improvements in Rail Services*, Passenger Focus, 2010



Source: ORR
Long-distance operators - % of trains arriving at final destination within ten minutes of the timetabled time
Regional operators - % of trains arriving at final destination within five minutes of the timetabled time

- 4.7 *Scotland's Railways* which sets the vision for Scotland's railways places a particular emphasis on reducing journey times. Surveys of people who do not currently use rail¹⁸ have shown that relative journey times matter, and therefore shorter journey times will increase patronage.
- 4.8 However, for current passengers, reliability and punctuality of services is one of the top priorities. Accordingly, timetable adjustments could be made to increase the time journeys take which would allow more flexibility and thereby improve train performance levels, increasing the proportion of punctual trains. However increasing journey time may result in a reduction in the number of train services that can be provided.
- 4.9 We welcome views on the relative priority of journey time and reliability.

Passengers' Charter

- 4.10 As part of their licence conditions (as set by the ORR), train operators are required to produce and adhere to a Passengers' Charter. Each operator sets out in its Charter its commitments to its customers, including compensation arrangements.
- 4.11 Operators set out compensation arrangements for when trains are delayed or cancelled. ScotRail's charter gives, as a guide, compensation for delays over 30 minutes depending on ticket type. ScotRail passengers are, however, currently only entitled to compensation when there are no extenuating circumstances, such as extreme weather.

¹⁸ e.g. *Integrated Transport: Perception and Reality*, Passenger Focus, 2010

4.12 The actual performance figures published are related to the actual performance targets set in the Charter, and these differ from the PPM. The current ScotRail Charter has seven Service Groups (for example Highland Services) and targets for punctuality are based on a service arriving within 5 or 10 minutes of its scheduled arrival time depending on the service group (and 30 minutes for Sleeper services). Discounts to season ticket holders for renewal of season tickets is based on performance against the targets for the service group.

4.13 The Passengers' Charter also covers a number of other aspects of rail passenger services including:

- buying tickets and making reservations
- assisted travel and customer care
- quality and standards on trains and at stations

Issues for consideration

4.14 We are currently considering how to simplify the performance regime in Scotland. We are reviewing a number of issues including:

- Whether the franchise agreement should incentivise good performance at a cost to Government or whether it should only penalise poor performance.
- How we should define "lateness", for example whether late should actually mean a train not arriving according to the published timetable, rather than being within a number of minutes of the published time for arrival.
- Whether performance should be measured by individual routes or service groups.
- Whether the current system fully represents passenger interests. Under the Passenger Charter train delays are currently calculated as being a delay on the final destination of the train. This is the information which is published. Passengers however will consider there is a delay if the train is late at arriving at intermediate stops.
- Whether the performance regime should attempt to reflect the impact on passengers rather than just on trains. For example, the majority of the current regime relates to a train regardless of whether it operates in the peak or off-peak period, or whether it is a commuter or rural/tourist service. The regime therefore does not generally relate to the number of passengers that might be inconvenienced and accordingly fails to reflect the consequent economic and social cost of the delay.
- What should the balance be between journey time and performance.

4.15 We would welcome views on these issues. Our conclusions will inform the franchise for rail passenger service and the High Level Output Specification for Network Rail's outputs.

Quality

4.16 The current ScotRail franchise includes the Service Quality Incentive Regime (SQUIRE) which assesses station and train quality. The system involves SQUIRE inspectors employed by Transport Scotland carrying out regular audits of ScotRail trains and stations and it is one of the most rigorous performance monitoring regimes in UK public transport.

4.17 SQUIRE inspectors audit every ScotRail station and approximately 200 trains every four weeks. Currently, 36 aspects are audited, ranging from graffiti, toilets and timetables to train cleanliness, staff service and the public address system. The results are published quarterly on the Transport Scotland website so that passengers can see the results for their stations and route.

4.18 Under the franchise agreement ScotRail is financially incentivised to exceed the SQUIRE targets set and receives financial penalties for areas which fail to reach these targets. In 2009/10 the balance between the fines and incentives resulted in a deficit to ScotRail of £787,000 however as ScotRail continued to focus on these quality aspects this improved to a net deficit of £446,000 in 2010/11.

4.19 The SQUIRE regime is, however, only directed at ScotRail assets, and as discussed in Section 5 (train services), maintenance of stations can be split between ScotRail and Network Rail.

4.20 At the GB level, Passenger Focus, produces a National Passenger Survey twice a year, which measures passenger satisfaction levels in relation to facilities and services on trains and stations. Around 1000 passengers are surveyed in Scotland for each survey, however due to the size of the Scottish network this can mean that only a few people are interviewed on each line. As a result the survey is useful to identify trends over time, but is not considered as a detailed measure of quality.

4.21 Work is currently ongoing to review the options for ensuring rail passenger services continue to improve, particularly for the next contract starting in 2014. We are looking at a range of issues and options including:

- retaining SQUIRE but focussing on key priorities, following a review of the appropriateness of each quality aspect that is measured
- developing SQUIRE so that it is more flexible and that issues identified through the National Passenger Survey can become priorities
- establishing a self-monitoring system, where the franchisee is required to put a quality monitoring system in place

4.22 We would be interested in your views on how to ensure that the passenger-facing aspects of rail continue to be improved, and whether this type of quality regime is required.

Questions	
09	Under the franchise, should we incentivise good performance or only penalise poor performance?
10	Should the performance regime be aligned with actual routes or service groups, or should there be one system for the whole of Scotland?
11	How can we make the performance regime more aligned with passenger issues?
12	What should the balance be between journey times and performance?
13	Is a Service Quality Incentive Regime required? And if so should it cover all aspects of stations and service delivery, or just those being managed through the franchise?
14	What other mechanisms could be used for assessing train and station quality?

5 - Scottish train services

- 5.1 Currently rail passenger services that are wholly within Scotland are operated by ScotRail, almost all of which are specified in the Franchise Agreement. The franchisee obtains track access from Network Rail, and leases, or pays to make use of, stations on the network. The Office of Rail Regulation oversees this leasing arrangement.
- 5.2 The map in Section 1 shows the routes which are currently covered by ScotRail. Additional services are also currently provided by the cross-border services, see Section 8, which are specified by the Department for Transport.

Service types

- 5.3 There are a number of different types of rail passenger services operating in Scotland, ranging from short suburban services, such as those on the Cathcart Circle in Glasgow, to inter-city services such as those between Aberdeen and Edinburgh. We are looking at how these services should be specified in the future franchise.

Carrying capacity

- 5.4 The current franchisee is required to ensure that there is sufficient carrying capacity provided on rail services to meet passenger demand. Passengers should have a reasonable expectation of getting a seat within 10 minutes of boarding a train (except between Glasgow Central and Paisley Gilmour Street). When trains are near to capacity, the limited number of available seats can mean that passengers perceive that the trains are crowded.

Actual capacity issues – 2010/11

On the Edinburgh-Glasgow services, the trains between 07:15 and 08:15 as well as those between 16:45 and 17:45 are the most crowded with some passengers required to stand and occupancy peaking up to 130% of available seats. In contrast from 11:15 until the start of the evening peak at 16:00 and from 19:15 onwards demand is significantly below capacity with fewer than 70% of seats being occupied, and on a few services this falls to around 35%.

The Motherwell – Cumbernauld services, in contrast, have an over-capacity of seats, where demand only exceeds 20% of available seating on one service. The average loading of all services on this route is less than 10% of available seats.

- 5.5 There are a number of solutions to resolving the issues of crowding including revising timetables, lengthening trains and carrying out infrastructure works. All can be expensive.
- 5.6 We are therefore considering whether we should include a measure for how many people can be carried on a train, as opposed to just relying on

how many minutes a passenger may have to stand. The carrying capacity could for example be set at 105% on certain types of service. We envisage that this would only affect the peak services, and other methods, such as fares adjustments can help to alleviate crowding on these few services.

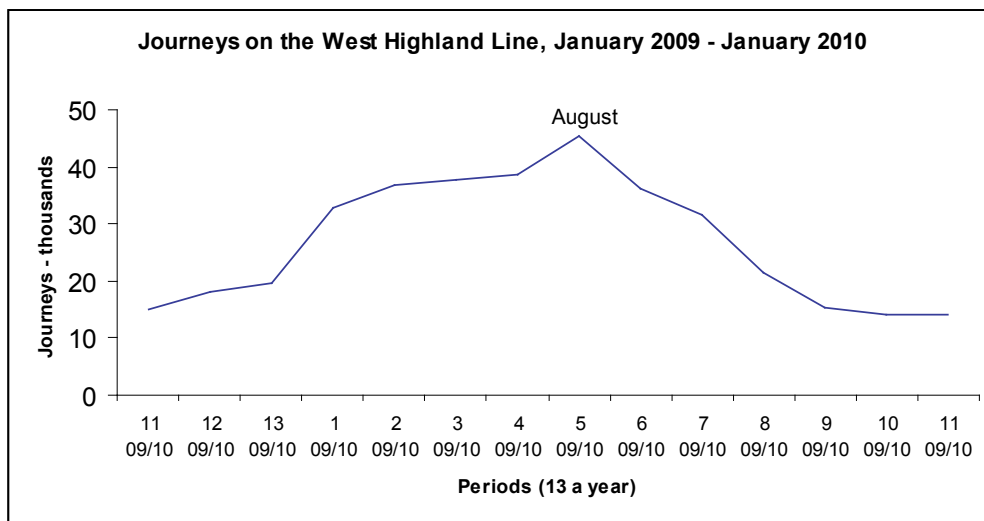
- 5.7 Were we to allow the franchisee to operate services with reduced capacity more passengers would be required to stand for all or part of their journey. We will therefore be considering whether we should increase the time that passengers may have to stand and welcome views.

Off-peak and weekend services

- 5.8 The demand for rail services on each route varies by the day of the week and time of the day. Peak services on all routes are the busiest; however there are also fluctuations across the network and through the seasons.

Rural lines

Patronage levels on rural lines are quite distinctive as demand alters significantly depending on the season. For example, the West Highland Line had a significant increase in patronage levels during the summer season, peaking at 45,000 journeys per 4 week period compared to 17,000 passenger journeys per 4 week period during winter.



19

Rail in rural areas currently delivers relatively poor journey time competitiveness compared with other transport modes. However, journey times are not a critical issue for tourists (but may be for local residents) and in fact rural rail lines represent a significant part of the product Scotland offers to tourists.

¹⁹ Figures from First ScotRail.

- 5.9 On a large part of the network patronage in the off-peak period is much lower and many services operate for most, if not all of their route, with a large number of empty seats. It costs almost the same to run an empty train as a loaded train. Consideration therefore needs to be given to possible measures to generate and sustain increased patronage in the off-peak, and also to whether such services offer value for money to the taxpayer.
- 5.10 The current franchise agreement specifies the minimum rail passenger services that have to be provided. We are currently considering what criteria should be used to determine what rail services are required for the future franchise, and what services should be specified, and therefore subsidised.

Journey times and frequency

- 5.11 One of the strategic outcomes from *Scotland's Railways* is to improve journey times and connections. Improving the actual line speeds, changing timetables, providing additional rail loops or minor infrastructure works can all contribute to reducing overall journey times. However, journey time issues are linked to the type of services that are required. For example, journey times on commuter services will be more crucial than on tourist routes.
- 5.12 We think that a robust passenger timetable, which would address passenger needs, could be devised by the franchisee if we were to set out a limited number of service criteria (eg. minimum number of daily services, carrying capacity limit, period of day covered by services etc.). The actual regularity, or timings, of the services will depend on passenger demand, rolling stock availability and customer service considerations.
- 5.13 If the franchise was let as a dual focus franchise (see Section 3) the level of specification would depend on whether the actual service is part of the economic or the social rail aspect of the franchise.
- 5.14 We are therefore proposing to specify journey times and frequency outcomes on select types of services and only where this will add to the wider Government policy agenda.

Interconnectivity

- 5.15 Scottish rail passenger services are currently a mixture of stopping services which stop at a number of stations along a route, a very few direct services between two points, and interconnecting services where passengers get off one train and connect with another for their onward journey. Stations where passengers change trains to connect with another are called interchange stations. Currently around 47 (13%) of Scottish stations are interchange stations, and of these 11 have more than 100,000 interchange journeys a year.

Table 4: Scottish Interchange Stations	
Station	Number of interchanges (2009/10)
Glasgow Central	2,284,406
Glasgow Queen Street	1,272,279
Hyndland	694,406
Edinburgh Waverley	688,941
Partick	412,103
Haymarket	406,738
Stirling	186,517
Aberdeen	164,299
Dumbarton Central	110,463
Perth	107,332
Motherwell	102,205
Source – Office of Rail Regulation	

5.16 We consider that the franchisee could achieve greater efficiency in the deployment of its staff and rolling stock through increased flexibility in its operations. On some routes, longer-distance services could be replaced by a number of shorter-distance services terminating at an interchange station. We want rail to be attractive to passengers, so the impacts of adding a leg to a journey, would have to be thought through carefully, particularly in terms of passenger expectations, rolling stock and train crew.

5.17 We think the franchisee, being closest to the customer, might be best placed to make the decision on whether its operations would benefit from the use of interchanges on particular services. The franchisee will be required to offer an attractive service to customers, with journey times that are competitive with other modes of transport. There is, therefore, a balance to be struck between direct end-to-end rail services and those requiring a change of train mid-journey.

5.18 The interconnectivity of rail passenger services with other transport modes, such as bus services and ferry services, is also crucial to encourage people to travel by public transport. There are a number of initiatives to support this such as Plusbus, and timetables which show ferry connections. The actual integration of these passenger services however depends on developing timetables with workable connections and involves a considerable number of public transport providers and organisations. We intend to emphasise the importance of this in the future contracts and continue to work with relevant organisations to improve this aspect.

Future specification

- 5.19 We will be specifying a required level of service as part of the process for letting the franchise for future rail passenger services.
- 5.20 The specification will be required to help the franchisee to offer a service that meets passengers' needs and our policy aspirations which include an increase in the use of public rather than private transport, social inclusion, a reduction in emissions through modal shift from road to rail, and sustainable economic growth.
- 5.21 Taking the issues discussed above into account we have identified three main options for the way forward:

1. **Minimum specification:** where the minimum level of service is specified only on strategic commuter and inter-city routes, where significant volumes of people are moved, and where the routes result in greatest economic return. The franchisee would have the freedom to make commercial decisions to run extra services where there is likely to be sufficient demand.

However, only six routes in Scotland currently generate revenue in excess of their operating costs. Therefore the main risk associated with this option is the cessation of services with low revenue, such as those in rural areas. For this reason we do not intend to implement a minimum specification.

2. **Full specification** (specifying every service): here there is detailed specification on each and every strategic, regional or local route. Full specification is not a desirable option as it limits the opportunity for the franchisee to innovate to provide customer-focussed services.
3. **Targeted specification:** the level of specification will be dependent on the type of service that is required for each route. This recognises that some services on the rail network are more financially attractive to the franchisee, whereas some have little demand and therefore require greater subsidy.

For example, greater specification could be offered on the Far North Line than on routes between Edinburgh and Glasgow. As the opportunity to generate revenue between Edinburgh and Glasgow is greater, the franchisee has a commercial incentive to tailor aspects of services, such as frequency, to passenger needs. Our direction could therefore be kept to a minimum, such as specification of carrying capacity, maximum journey time and select arrival times only.

However, in the Far North, the driver for effective rail services is our desire to improve social inclusion and employment opportunities, and promote tourism. We could therefore provide a fuller

specification, also instructing on the frequency of service, to ensure local needs are met.

5.22 We are currently considering targeted specification, option 3 above, as the most appropriate format for specification of the next franchise. We want to maximise growth and expansion on the routes where revenue generation potential is highest. We also want to continue to encourage modal shift in those parts of Scotland where the revenue on the routes does not cover costs, but where there are wider policy aims to be met.

5.23 We are considering what incentives should be incorporated within the specification to encourage innovation by a franchisee and would welcome views.

Questions	
15	Can better use be made of existing train capacity, such as increasing the permitted standing time beyond the limit of 10 minutes or increasing the capacity limit? What is an acceptable limit for standing times on rail services?
16	Should the number of services making use of interchange stations (both rail to rail and rail to other modes) be increased to reduce the number of direct services? What would be the opportunities and challenges of this?
17	Should Government direct aspects of service provision such as frequency and journey time, or would these be better determined by the franchisee based on customer demand?
18	What level of contract specification should we use the for the next ScotRail franchise?
19	How should the contract incentivise the franchisee to be innovative in the provision of services?

6 – Scottish rail fares

- 6.1 Rail fares are one of the ways in which rail passenger services are currently funded. In 2010-11 passenger revenue accounted for £259 million of ScotRail's income, whilst the Scottish Government subsidy payment to ScotRail was £290 million. Overall ScotRail passenger revenue accounted for 26% of the total costs for the provision of ScotRail services on the Scottish network²⁰.
- 6.2 Rail is an environmentally sustainable mode of transport. We want to encourage existing passengers to use more rail services and to attract new passengers to rail, so as to reduce journeys by less environmentally sustainable modes of travel. Fares are a key lever which can help encourage modal shift to rail but fares policy also needs to be considered in terms of ensuring the rail network remains financially sustainable for the Scottish Government.

Ticket Types

Four main types of tickets are currently available:

- advance – purchased prior to the day of travel and only valid on the specified date
- off-peak – buy at any time for travel in the off-peak
- anytime – buy at any time for travel at any time
- season – unlimited travel between two stations for a specified period

Among the Railcards available, which provide discounted rail travel, are:

- the 16-25 year old rail card (also available to full time students irrespective of age), costing £28 per year and providing 33% discount on rail travel across Great Britain
- the Senior Railcard, available to over 60's the card costs £28 per annum and provides 33% discount on rail travel across Great Britain

Fares simplification and anomalies

- 6.3 In September 2008 all UK rail ticket-types were simplified in order to assist passengers identify the cheapest or most appropriate tickets. We are considering if further simplification of fares is necessary, or if clearer information about the existing fares and tickets would achieve the same objective of encouraging more people to use rail services.

²⁰ See financial flows diagram in section 1

- 6.4 Part of ensuring a simplified fares policy, which is understood by the public, is to ensure there are no anomalies within the structure. Anomalies include where one return ticket is more expensive than the cumulative total of a number of individual single tickets. We will continue to work with ScotRail to identify and remove these, and other anomalies, before we let the next franchise.

Regulated and non-regulated fares

- 6.5 Scottish rail fares are a mixture of regulated and unregulated fares. Regulated fares are those where we set the rules around how much they could change each year. These rules are normally set within the rail franchise contract.
- 6.6 Currently, in Scotland regulated fares change in January each year in line with the previous July's Retail Price Index plus 1 per cent (RPI+1%). Historically, July's RPI value has been used as this provides sufficient time to update the industry booking and ticketing systems.
- 6.7 Fares for cross-border services are not set by us but follow the Department for Transport policy, which, from January 2012 will increase regulated fares by an average of RPI +3% each year for three years.
- 6.8 The regulated fares currently in existence were established through the first franchise and then rolled over into the current franchise. The next franchise will be a good opportunity to review the regulated fares structure. Current regulated fares in Scotland are:
- all ScotRail Season Tickets
 - all ScotRail off-peak returns
 - all fares in the Strathclyde area
 - standard singles, standard day returns and season tickets in the Edinburgh commuter area: the Edinburgh commuter area ranges from the Fife Circle to Falkirk, North Berwick and Addiewell
- 6.9 All other fares for Scottish flows are unregulated. Unregulated fares can be set by the franchisee on a commercial basis.
- 6.10 Under the current fares policy, revenue generation is evenly split between regulated and unregulated fares. However actual passenger demand is skewed towards regulated fares. Around three quarters of passenger journeys are undertaken on tickets covered by regulated fares.
- 6.11 Regulation of at least some fares provides us with a lever to help achieve wider social and economic objectives. Specifically, it enables us to ensure the rail network remains affordable at certain key times of the day and over certain key routes. Fares regulation also helps ensure accessibility to essential services and leisure destinations.

- 6.12 Regulating rural fares can ensure the rail network remains affordable for rural residents and attractive for leisure and tourist travel. Regulation of urban peak fares, season tickets and fares on rural lines will protect passengers who are likely to have limited alternatives to rail travel and who could face sharp increases in an unregulated market.
- 6.13 Regulation could also be used to encourage passengers to transfer to less utilised routes. This will be particularly relevant between Edinburgh and Glasgow where we have made significant investments and there are now four routes between the two cities.
- 6.14 Allowing some fares to be unregulated however, provides the franchisee with an incentive to develop innovative offers which should encourage greater rail usage on lightly used services during quieter periods of the day or week and to manage capacity. The ability of the franchisee to adjust fares on a commercial basis is important in creating incentives for the operator to maximise their efforts to grow revenue and demand.
- 6.15 Car travel is the most convenient and comfortable alternative to rail for inter-city travel. If fares were increased too much it would encourage modal shift away from rail and therefore reduce the profitability of inter-city services. The market would thus act to regulate any fares increases for inter-city travel meaning there is no need for government to regulate these fares. We are therefore proposing that for the future rail franchise the inter-city rail fares are unregulated.
- 6.16 Similarly, providing commercial freedom for the operator to use different strategies to attract more passengers onto urban routes in the quieter off-peak periods is likely to be more efficient than blanket regulation of these fares as occurs in the Strathclyde area at present.
- 6.17 Fares baskets are used in some parts of GB to provide greater flexibility for an operator to vary fares while still retaining an overall cap to protect passengers. A number of fares are included within a fares basket and the value of the fares basket is calculated. This value is then allowed to increase by the set rate, but individual fares can be increased within a larger range provided the overall value of the basket does not exceed the overall threshold. In this way operators can reduce fares on some routes in order to encourage greater patronage while increasing fares by more on other routes where it is suspected passengers will be less sensitive to fares increases. Fares baskets are quite complex to operate and can be complicated for passengers to understand, and therefore contrary to the overall policy of fares simplification.

Finance and subsidy levels

- 6.18 Revenue from rail passengers has increased each year during the current franchise but still contributes less to ScotRail's total annual income than the government subsidy payments. In 2010-11, as previously discussed, ScotRail's revenue from passengers was £259 million and the franchise payments from the Scottish Government

amounted to £290 million. Revenue has increased by 35% between 2005/06 and 2010/11 with the subsidy payment increasing by 27% over the same period.

- 6.19 It is in our interests to grow demand and revenue in order to minimise subsidy payments and maximise the value from the franchise. Fares regulation can also be used to ensure that an operator does not use fares to generate large profits at the same time as requiring a government subsidy.
- 6.20 We are considering what the appropriate balance should be between taxpayer subsidy and passenger revenue in funding rail operating costs. This includes considering the case for applying higher fares increases for tickets over Sections of the network where significant enhancements have recently been delivered in order to help pay for those enhancements.

Changing fares

- 6.21 Regulated fares are currently set by allowing fare prices to rise at a fixed rate in relation to inflation. These fares currently increase each January by RPI+1% and are due to increase by 6% in January 2012 based on a July 2011 RPI value of 5%. This increase is however significantly lower than recent fuel price increases, with, for instance, the average price per litre for unleaded petrol in Scotland increasing by 15.8% over the 12 months to July 2011²¹.
- 6.22 The Retail Price Index is currently used as the inflation measure and this is used for all GB rail fares. We are considering whether we should continue to have an annual regulated fare change and also whether RPI is the correct Index to use or whether the Consumer Price Index (CPI) would be more appropriate.
- 6.23 The actual level of change will impact on both passenger numbers and on the level of subsidy that we might have to provide to the franchisee. For example increasing fares by less than RPI+1% could increase the number of people using rail passenger services but as the actual costs for providing the rail services will increase we might have to provide additional subsidy to the franchisee. High fare increases could however constrain rail passenger growth and thereby not assist us in meeting our overall policy agenda of encouraging modal shift to public transport.
- 6.24 Fares are not the only variable which influence how and when people choose to travel. Other factors such as employment levels and the cost travel by other modes are also important factors. Taking these external factors into account we have estimated that rail demand and revenue would continue to grow for fares increases of up to RPI+3%. Demand in Scotland was forecast to decline for fares increases above RPI+3% although revenue would continue to increase beyond this point.

²¹ *Fuel price report*, AA, http://www.theaa.com/motoring_advice/fuel/

6.25 Fares need to be set at a level which will generate revenue to help pay for new rail enhancements. We are therefore considering whether those passengers receiving an enhanced service as a consequence of investment in that service should make a contribution through increased fares, rather than having all costs falling to the taxpayer.

Influencing capacity

- 6.26 As discussed in Section 5 (train services), demand is poorly matched to capacity across the day for most routes on the Scottish network. Services tend to operate at or above capacity during the peak period while there can be significant spare capacity across the off-peak. This general demand profile is especially inefficient because many peak services are crowded, which constrains further growth and reduces the passenger's journey quality. Deteriorating journey quality and difficulty finding a seat can also lead to reduced customer satisfaction and, in response to fares rises, an increased perception that rail travel fails to provide value for money.
- 6.27 Currently the fares mechanism is designed to encourage passengers to travel in the off-peak period, where they can. However the differential between peak and off-peak fares is generally too small to have any significant impact on changing behaviour. We are considering increasing the differential in order to free capacity in the peak period to accommodate future growth. Modelling indicates a differential of at least 20% between peak and off-peak fares would be required to have any significant effect on passenger behaviours.
- 6.28 We have also looked at whether we should introduce a third layer of pricing, so as to encourage passengers to shift from the high peak where services are most crowded to the edges of the peak period, where there is often spare capacity. However, we have concluded that this could create additional confusion into the pricing system and accordingly we do not intend to introduce this type of shoulder-pricing.
- 6.29 We are also aware that the use of Season Tickets, which in offering substantial reductions to passengers for regular travel, does not generally encourage the use of off-peak services. Whilst we do not intend to change this arrangement at the current time we welcome views on ways in which we could use Season Tickets or shoulder-peak pricing or indeed any other mechanisms to encourage a move from peak to off-peak travel.
- 6.30 The future development of smart ticketing may however provide an opportunity for using different fares structures to cope with capacity demands. Smart tickets which automatically credited passengers for travelling outside the peak period would provide greater flexibility by enabling passengers to travel at the time most suited to their needs on a particular day.

Questions	
20	What should be the rationale for, and purpose of, our fares policy?
21	What fares should be regulated by government and what should be set on a commercial basis? Do your recommendations change by geographic area (the Strathclyde area example), or by type of journey (for example suburban or intercity)?
22	How should we achieve a balance between the taxpayer subsidy and passenger revenue contributions in funding the Scottish rail network? At what rate should fares be increased, and how feasible would it be to apply higher increases to Sections of the network which have recently been enhanced?
23	What should the difference be between peak and off-peak fares? Will this help encourage people to switch to travelling in the off-peak?

7 – Scottish stations

- 7.1 Stations are the access point to the rail network for rail passengers and as such their location, facilities, and integration with other transport modes, are crucial to ensuring that rail services are utilised for the benefit of Scotland. Stations allow for connections to other transport modes and the view of Network Rail is that a “well positioned and designed station enables passengers to easily access the facilities they require, to find up-to-the-minute relevant information, buy tickets, shelter from the elements and easily interchange to the next leg of their journey”²².
- 7.2 There are currently 350 railway stations in Scotland. All of these, except for Prestwick International Airport Station, are owned by Network Rail. Network Rail manages Glasgow Central (high level) and Edinburgh Waverley stations and the rest are leased to ScotRail and operated by them, except for Dunbar which is operated by East Coast²³.

Location of stations

- 7.3 The oldest railway station in Scotland which is still in operation is Broughty Ferry, which opened in 1838. Over the following years stations have been opened across the country in response to particular circumstances, but predominantly to increase the geographical accessibility of the rail network. Through providing rail access to and from areas where previously rail journeys were not possible new stations assist with a number of strategic aims such as stimulating sustainable economic growth or encouraging modal shift.
- 7.4 The operation of new stations may however make conditions worse for existing passengers: by increasing journey times due to stopping at the additional stations, and potential overcrowding as a consequence of increased patronage. Therefore, in considering opening new stations a balance has to be struck between providing economic and social benefits for the local area, and the effects of increasing journey times to existing services on the route. Before any new station is proposed all transport options should be assessed using the Scottish Transport Appraisal Guidance, which looks at transport needs more generally. Proposals for new stations also need to follow Network Rail’s *Investment in Stations: A guide for promoters and developers*.
- 7.5 The Scottish Ministers are involved in the decision relating to the opening of any new station on the Scottish network. The current policy is that new stations, subject to a positive STAG appraisal, will be considered favourably where the surrounding population, workplace or visitor need is sufficient to generate a high level of demand.

²² *Investment in Stations: A guide for promoters and developers*, Network Rail, 2011

²³ East Coast is a trading name of East Coast Main Line Company Ltd

- 7.6 We are keen to improve access to the rail network by local communities on existing routes through the provision of additional stations. We are considering the extent to which we should widen opportunities to fund and operate new stations so as to permit third parties to play a part. This would allow local groups and organisations (e.g. local authorities, Regional Transport Partnerships, businesses, charities), to fund and promote services that meet local needs. The development proposals for such stations would need to consider, and address, the potential impact on the rail network. There would also need to be a contractual commitment from train operators to call at the station, and amendments to track access contracts with Network Rail.(see Section 3, Third Parties).
- 7.7 We would also expect stations that are owned by other organisations to be at least the same standard in terms of design, branding, maintenance and facilities, as other similar stations on the Scottish network. We welcome views on the merits of permitting greater third party involvement, and the issues for consideration.
- 7.8 The railway network is dynamic. Just as new lines and facilities are added to the network to meet increased demand, so, from time to time, closures and network modifications need to be considered in the light of changing operational needs and passenger travel patterns. In Scotland any station closures have to be agreed by the Scottish Ministers and guidance was published in 2006 which sets out an objective test that must be satisfied if closure is to be permitted. In brief, the test ensures that a closure cannot be pursued if the benefit to cost ratio of retaining the service, station or network is 1.5 or over.
- 7.9 The costs of running a station include the leasing costs (payments from the franchisee to Network Rail), maintenance costs, and in some cases staffing costs. Table 5 illustrates the relatively high number of stations in Scotland that currently serve less than 20 passengers per week. These have associated annual leasing costs of £650,000. A basic, unstaffed station also requires a significant annual sum to operate since it needs to be illuminated, cleaned, kept supplied with relevant information and will have at least a public address system and a help point. Where the station is used by only a few passengers per week the fares revenue generated does not even cover the operating costs, let alone the leasing costs.

Table 5: Passengers and Stations			
Passenger numbers (2010-11)		Number of Scottish stations	Total lease costs
Annual footfall (entries and exits)	Average no. return of passengers per week		
Less than 500	Up to 5	16	£306,000
501 – 1000	6-9	8	£84,000
1001-2000	10-19	13	£260,000
		Total – 37	Total £650,000
Source: First Scotrail			

7.10 There are also a number of stations on the rail network that are located in close proximity to one another. In the Glasgow commuter area, there are 11 stations located less than one mile from another rail station offering similar services. The lease costs associated with these 11 stations total £208,000.

7.11 We do not intend to reduce the size of the Scottish rail network, or reduce the number of stations, but we are considering whether it would be possible to re-configure the network by reviewing the location of stations. We would welcome views on what locations may be more appropriate for stations and which current stations are no longer required. Overall, we are considering the location of stations that could offer the greatest benefits to Scotland.

Accessibility of stations

7.12 We are currently working to improve access to the rail network for all potential passengers. Of the 350 stations in Scotland, the majority (73%) have step-free access to and between platforms and can be considered accessible.

7.13 Funding has been allocated through the Department for Transport's Access for All programme to improve access at stations, with the Scottish Ministers determining which stations should be improved. Since 2006 eight stations have been made step-free, four are at the design stage, and more are expected to be improved through this funding stream by 2014.

7.14 In addition, under the current franchise agreement, the franchisee has set aside discrete funding to deliver minor access improvements to facilities for disabled passengers. This has provided an opportunity to explore ways of improving access to services for a wider range of disabilities, such as sensory impairment.

7.15 We are currently considering how access improvements should be funded and specified in the future.

Station ownership and operation

7.16 The majority of the railway stations in Scotland are owned by Network Rail and leased and operated by the franchisee. However the franchisee tends to lease only those parts of the station buildings or associated land that it requires to deliver its services, with remaining parts retained by Network Rail.

7.17 This split of ownership can result in inconsistencies in the way that stations are both maintained and developed with certain parts of a building being subject to different maintenance regimes. For example, in some stations, station walls are being maintained by ScotRail to a certain height and by Network Rail above this height. Such an arrangement is neither cost or operationally efficient.

7.18 Consequently, we are considering whether arrangements should be put in place so that only one organisation is responsible for managing and maintaining the station.

7.19 It could be argued that the franchisee, in providing rail passenger services, is closest to the customer and would therefore be best placed to manage the stations. Currently, the franchisee is required to hand back stations at the end of the franchise term in the condition in which they were received. The franchisee is therefore incentivised to maintain the facility, but not to invest in improvements which will last beyond the length of the franchise. If the franchisee was to have more of a commercial interest in the operation of stations, this could lead to investment in both maintaining and improving the facilities. Safeguards would need to be put in place to ensure that long term asset management is carried out and that capital investment is appropriately remunerated at the end of the franchise..

7.20 However, alternatively, Network Rail as the owner of the station might be best placed to manage and maintain its property as it will have an interest in ensuring that its asset is properly maintained.

7.21 We would welcome views on how responsibility for stations might be structured.

7.22 We are also considering whether the franchisee should have the contractual freedom to decide to sub-lease to a third party the operation and management of some or all of the stations. In that way other groups such as community groups, innovative business organisations, and local authorities could become involved in operating stations. In these cases there would need to be demonstrable benefits for passengers and potential efficiency and cost savings to the franchise.

7.23 Currently ScotRail encourages local groups to become involved in supporting their local station through its Adopt a Station scheme.

Successful projects include Pitlochry Station Bookshop and the Clyde Model Railway Club at Lanark, and more than one hundred stations which have been adopted by volunteer gardeners.

- 7.24 We currently provide funding for the Stations Community Regeneration Fund (SCRF). This £1 million fund aims to bring into use disused station buildings to provide a business or community need or as a community project that creates new opportunities for job creation and community involvement. We are considering what more can be done to increase community engagement and would welcome views.

Station Facilities

- 7.25 There has been considerable investment over the last few years in facilities on Scottish stations. The current franchisee has invested around £20 million on delivering front line improvements to passenger facilities at stations such as new lifts at Haymarket, CCTV, help points, toilets, waiting shelters, ticket office upgrades and customer information systems. The Scottish Government also provided £20 million for small schemes work between 2006 and 2008, and this provided expanded car parks, ticket vending machines, CCTV and customer information systems. We are keen to ensure that these facilities are maintained and improved under the next franchise. We are also keen to ensure that passengers have clarity over what facilities can be expected at what station.
- 7.26 Accordingly, we are proposing to categorise stations according to the type of rail passenger services that utilise the station. This categorisation will then determine what facilities are available at the station, and stations which are more than one type will require the facilities of all of those types.
- 7.27 The types of characteristics which we are considering include car parking, staffing levels, shops, toilets and wash rooms, information boards and shelter.
- 7.28 We would welcome consideration of the concept of categorising stations so that users can be assured of the facilities that are provided and secondly whether the categories used are appropriate.

Table 6: Proposed Station Types	
Principle	Larger stations at which inter-city services call.
Commuter	Within the catchment area of a city or other centre of employment, busiest at peak times in the day.
Interchange	Offering interchanges between rail services.
Destination	Stations where a large proportion of users are travelling with a specific purpose, i.e. close to facilities such as universities, prisons and ports.
Tourist	Rural lines with tourist destinations, such as Fort William and Kyle of Lochalsh.
Other	Providing local transport connections.

7.29 For example commuter stations may benefit from car parking more than destination stations, as commuters are more likely to make use of Park and Ride facilities. Conversely, at a number of destination or tourist stations passengers will be visitors only, making return journeys by train, therefore there may be less demand for parking.

7.30 Facilities such as toilets and washrooms may not be necessary at commuter stations with a frequent service if there are toilet facilities on the train. At interchange stations, or stations with less frequent services, toilet facilities may be more of a priority, and at stations where longer-distance and sleeper services call, wash rooms may also be a practical addition to improve passenger comfort.

7.31 Information boards will be useful at all stations to provide passengers with necessary information about the services stopping there and other local transport connections.

7.32 Railway stations are a crucial element in our overall aim to provide sustainable, integrated and cost-effective public transport alternatives to the car, connecting people, places and work across Scotland. Where those stations also provide access and facilities to enable people to use other transport modes, their value to Scotland will be greatly enhanced.

7.33 Where passengers access stations by car, we are keen to see an increase in electric vehicle charging points at railway station car parks in order to facilitate the shift to low carbon vehicles.

7.34 The provision of car parks at railway stations was the subject of a separate consultation in 2009 and we are therefore not seeking particular comments on this aspect in this consultation²⁴.

7.35 Currently all of the stations, where practical, have cycle storage facilities and the current franchisee is involved in several cycle-hire and cycle-promotion activities with other partners. Many stations have information with details of bus services from the station, and all stations have an “onward journey map”. Some of the stations are linked to the ferries, and all major airports can be reached via a combination of rail and bus services.

Questions	
24	How should we determine what rail stations are required and where, including whether a station should be closed?
25	What are the merits or issues that arise from a third party (such as a local authority or local business) being able to propose, promote and fund a station or service?
26	Should only one organisation be responsible for the management and maintenance of stations? If this was the franchisee how should that responsibility be structured in terms of leasing, investment, and issues relating to residual capital value?
27	How can local communities be encouraged to support their local station?
28	What categories of station should be designated and what facilities should be available at each category of station?

²⁴ *Station car parking policy in Scotland consultation: Analysis of responses*, Transport Scotland, 2010

8 – Cross-border services

- 8.1 Cross-border rail services, those which run between Scotland and England, are provided by train companies operating under franchises let by the Westminster Government through the Department for Transport (DfT). Although we do not have a direct role in the specification of these franchises, we are entitled to advise the Secretary of State of Transport of our reasonable expectations of their specification²⁵.
- 8.2 The cross-border services provide key connections to London and other English cities. They also currently provide within-Scotland capacity, principally between Edinburgh and Glasgow, Dundee, Aberdeen and Inverness (and intermediate stations).

Cross-border services

East Coast Trains – Frequent services between Edinburgh Waverley and London Kings Cross (via Newcastle, Durham, Darlington, York, Doncaster). One daily return service extends to/from Glasgow Central, one to Inverness, and three to Aberdeen.

Cross Country Trains – Frequent services between Edinburgh Waverley and SW England (via Newcastle, York, Leeds, Sheffield, Birmingham). Seven daily return services extend to/from Glasgow Central, two to Aberdeen, and one to Dundee.

First TransPennine – frequent services from Scotland to Manchester and Manchester Airport. Seven return services to/from Edinburgh Waverley, four from Glasgow Central.

Virgin Trains – Frequent services between Glasgow Central and London Euston. Frequent services from Scotland to Birmingham. Seven return services to/from Edinburgh Waverley, seven to/from Glasgow Central.

- 8.3 While Glasgow Central and Edinburgh Waverley act as terminus stations for Virgin and First TransPennine services, a number of cross-border services operate beyond Edinburgh Waverley to stations in Scotland.
- 8.4 Analysis of passenger numbers has shown, however, that the service capacity beyond Glasgow and Edinburgh on these cross-border trains is frequently considerably underutilised. The provision of these services whilst, providing additional capacity, also takes potential passengers and revenue from ScotRail services, and thereby affects the levels of subsidy required from the Scottish Government.
- 8.5 In addition, the large passenger capacity of cross-border trains over these routes also draws a share of non-operator specific income allocation (ORCATS) from ScotRail.

²⁵ *Railways Act 1993*, (1993.c43 sec 23, 2ZC)

Operational Research Computerised Allocation of Tickets to Services

ORCATS is the process by which the rail industry allocates revenue from tickets. On a route where there are multiple operators, such as those operated north of Edinburgh, ticket revenue is allocated to operators by a model. The model determines the appropriate revenue share based on the time of day, and day of travel, the timetable and various parameters reflecting passengers response to changing trains, the train service frequency, and journey times. As a result the actual number of passengers carried on any train may be different to the passenger numbers and revenue allocations to the train by the model.

- 8.6 We are therefore considering whether services north of Edinburgh should be provided by the Scottish franchisee, with Edinburgh becoming an interchange hub for cross-border services in the east of the country. In this scenario cross-border services would terminate at Edinburgh Waverley, with onward connections being provided by ScotRail.
- 8.7 Obviously cross-border issues will need to be discussed and agreed with the UK Government as cross-border services are specified and let under franchises managed by the DfT.
- 8.8 This 'Edinburgh Hub' scenario could deliver the following benefits:
- Finance: greater revenue return to the Scottish franchisee (increasing attractiveness of subsequent franchises) and reducing subsidy from the taxpayer for services in Scotland.
 - Resilience: all passenger franchised services within Scotland would be provided by one operator which would make it easier to provide services during periods of bad weather: winter 2010/11 saw early cancellation of East Coast trains to destinations beyond Edinburgh
 - Control: all services are controlled by Scottish franchise with no reliance on DfT franchised services for connectivity.
 - Simplicity: all services provided by one operator, removing any duplication and inefficiency, and allowing greater network/timetable freedoms for the Scottish operator.
- 8.9 However, we recognise that there are some possible drawbacks to this scenario. These include a perceived or actual time penalty in having to change at Edinburgh for a journey that might have been previously direct, with the potential consequence that passengers choose instead to use other modes of travel to their final destinations.

8.10 Onward connectivity will be crucial to the success of the hub scenario and we would look for increased service frequency and journey opportunities, so that the maximum value could be obtained from this arrangement.

Questions	
29	Should cross-border services continue to go north of Edinburgh? In operating alongside ScotRail services, how do cross-border services benefit passengers and taxpayers? And who should specify these services, the Department of Transport or the Scottish Ministers?
30	Or should the cross-border services terminate at Edinburgh Waverley, allowing opportunities for Scottish connections? And if so, what additional benefits would accrue from having an Edinburgh Hub?

9 – Rolling stock

- 9.1 The current rolling stock fleet for ScotRail consists of 137 three and four car electric units (EMUs) and 155 two and three car diesel units (DMUs). The fleet is being gradually rebranded as and when maintenance programmes allow. The brand is based on a dynamic interpretation of the Saltire, and the majority of the fleet will be in the new livery before the new franchise comes into effect.
- 9.2 The most recent trains introduced to the Scottish network are the new Class 380s operating on the Ayr, Inverclyde and North Berwick routes, and the oldest are the Class 314s operating on the South Glasgow and Wemyss Bay and Gourock routes.
- 9.3 Privatisation of the rail industry in the 1990s resulted in the passenger fleet being sold to three Rolling Stock Companies (ROSCOs). The ROSCOs lease the passenger trains to the Train Operating Companies (TOCs), such as First ScotRail. Leasing the rolling stock cost ScotRail £86 million in 2010-11.
- 9.4 The length of leases entered into between ROSCOs and TOCs are generally equivalent to the length of the franchise agreements for the provision of rail passenger services. At the end of the current ScotRail franchise all leases for trains operating in Scotland will terminate, except for the new Class 380s where we have given a commitment for longer leases as it was more commercially advantageous to do so.
- 9.5 There is therefore, theoretically, an opportunity for bidders for the new franchise to propose different rolling stock (if available) for use on the ScotRail network. However the introduction of such rolling stock has to follow a safety approval process which an operator would need to manage in cooperation with Network Rail.

Table 7: ScotRail Rolling Stock – October 2011									
	Electric Trains (EMUs)						Diesel Trains (DMUs)		
Class	314	318	320	334	380	380	156	158	170
No. Coaches / Unit	3 car	3 car	3 car	3 car	4 car	3 car	2 car	2 car	3 car
Max speed [MPH]	75	90	75	90	100	100	75	90	100
No. Units	16	21	22	40	16	22	48	48	59
Built	1979	1986	1990	2000	2010	2010	1988	1990	1998 to 2005
Passenger Information System?	No	Yes	Yes	Yes	Yes	Yes	Yes	Not on all	Yes
Toilet	0	1	Being installed	1	2	1	1	2	2
CCTV	No	Yes	Yes	Yes	Yes	Yes	Yes	Not on all	Yes
Cycle Rack	No	No	No	No	Yes	Yes	Yes	Yes	Yes

Financial aspects

- 9.6 The actual passenger rail services that we specifically require are set out in the franchise contract, and the franchisee leases its rolling stock from ROSCOs to allow them to provide these services.
- 9.7 When ROSCOs lease the trains at the start of a new franchise, the lease costs are agreed as a cost per vehicle per month. Usually these costs include the costs of any major overhaul with the franchisee carrying out light maintenance and refurbishment to an agreed schedule.
- 9.8 In operating the trains the franchisee also has to pay Network Rail track access charges, a proportion of which differs according to the type of vehicle being used. These access charges are set by the Office of Rail Regulation at the start of each control period, every five years, or when new rolling stock comes on stream.
- 9.9 Therefore for each type of rolling stock there are costs relating to:
- leasing costs
 - maintenance costs
 - fuel or traction electricity costs
 - access charges
 - staffing

9.10 Currently, the purchase of new rolling stock involves the Scottish Ministers (Transport Scotland), ROSCOs, and the Franchisee, with the ROSCOs owning the new trains. New rolling stock is purchased to accommodate growth in passenger numbers, to provide services on new lines and when vehicles are withdrawn, typically after 35 years.

Rolling stock requirements

9.11 Approximately 25% of the rail network in Scotland is electrified (around 2,800 km). Much of the electrified network is in the Glasgow conurbation area, where the majority of rail services currently operate.

9.12 As electrification is rolled out across the country, new electric trains will have to be procured, and this will free up diesel trains for deployment on to other routes. Electric rolling stock has lower lease costs than equivalent diesel units, and they are also more reliable and cheaper to maintain and run.

9.13 Rail passenger trains are built with the expectation that they will have a working life of 35 years. During this time they will be refurbished, but the long-life of the assets means that any investment needs to be carefully assessed. Due to the roll-out of electrification across GB, the ROSCOs are more willing to finance electric trains than diesel trains. They do however support the refurbishment of existing diesel units.

9.14 Ninety-six two-car DMUs will reach their expected withdrawal dates between 2018 and 2020 and will need to be re-engineered, refurbished or replaced at that time. They will also have to be adapted to comply with accessibility legislation²⁶ by 1 January 2020 or receive a derogation from the European Commission to operate beyond that date.

9.15 The rural routes are unlikely to be electrified in the near future, so either existing diesel rolling stock will need to be refurbished or new diesel trains will be required.

9.16 We are therefore considering whether we should renew these vehicles (ie purchase new ones) or refurbish them to keep them operating for longer, or whether to leave it to franchise bidders to determine the rolling stock strategy. The associated costs of the various options will be a major factor, and if refurbishment or replacement is required this could be incorporated within the 2014 franchise commitments.

²⁶ 2008/164/EC: Commission Decision of 21 December 2007 concerning the technical specification of interoperability relating to persons with reduced mobility in the trans-European conventional and high-speed rail system

Passenger comfort

9.17 Research carried out by Passenger Focus in 2010 found that Scottish passengers future design requirements for rolling stock are driven by their concerns with:

- the ability to get a seat
- comfort of seating
- ease and safety of boarding and alighting from the train
- safety in standing areas
- provision of adequate luggage space
- the on-board temperature
- the provision of on-board information and announcements
- general cleanliness

9.18 There was no significant difference between commuter, business and leisure users.

9.19 Previous Scottish Government consultations have found that on trains, passengers want improved luggage space, space for bikes, toilet facilities, staffing on-board catering, and better announcements about services.

9.20 We are aware that some of the diesel trains that currently run on the longer inter-city and rural routes within Scotland are not perceived by some passengers as appropriate for these longer journeys. We are currently considering what options there could be for improving this situation, and will be looking for bidders for the next franchise to put forward some solutions.

Questions	
31	What alternative strategies or mechanisms could be used to reduce the cost of the provision of rolling stock?
32	What facilities should be present on a train and to what extent should these facilities vary according to the route served?

10 - Passengers - comfort, security, information

10.1 A rail passenger service exists for the sole purpose of transporting people from one location to another. Accordingly, passengers should be put at the centre of any consideration on how to operate a rail network, because if people do not want to be passengers, the operation of trains, tracks and stations is superfluous. There were around 78 million rail passenger journeys within Scotland last year carried by ScotRail. However, in order to ensure that rail continues to retain and attract increasing numbers of passengers, we need to continue to strive to provide a high quality passenger experience.

10.2 Our policy is to work towards improving the passenger experience through:

- improving the reliability of rail passenger services (see Section 4)
- comfort of journey experience
- safety and security of journey experience
- provision of travel information

10.3 This policy aligns with research carried out by Passenger Focus which shows that the Scottish passengers want: tickets to be value for money; trains to be punctual and frequent; to be able to get a seat; and to get accurate information, particularly about delays.

Comfort

Comfort - Ancillary services for passengers

10.4 In general the franchise agreement is concerned with the basic services required by passengers – access to train services. There is however a range of additional services and facilities that can be offered to passengers, such as catering and mobile communications connectivity. These are not in themselves required to get passengers from one location to another but are additional (ancillary) services that can improve the passenger experience and encourage greater rail usage. These services can be provided either free of charge to the passenger or as a revenue generating opportunity. If the company is able to generate revenue from these services, then the amount of government subsidy that it might require to run other services can be reduced.

10.5 We are keen to ensure that the next contract for services encourages the franchisee to provide better services and is able to generate revenue where possible, but without compromising the ScotRail brand.

Comfort - Mobile communication connectivity

- 10.6 We recognise that there are social and economic benefits for rail passengers having access to data and voice communications whilst travelling, and that providing this facility could encourage more people to travel by train. However the provision of the external signals to and from equipment on the trains and construction of signal supply equipment next to rail lines is a costly process. We also have to address the issue of rapid technological obsolescence in this fast developing field.
- 10.7 Mobile phone coverage on the Scottish rail network is dependent upon where mobile phone masts are situated, with very few, if any, currently installed on land owned by Network Rail. As a result, mobile coverage from trains is dependent on what commercial mobile masts are in the vicinity. The majority of the rail network in the central belt is covered, except where the rail lines are in cuttings or tunnels.
- 10.8 Wi-Fi type services, where high-bandwidth services are provided through local relays, are not provided on any of the ScotRail services. This is disappointing as Wi-Fi has been available elsewhere on the UK rail network since at least 2004.
- 10.9 We believe that access to Wi-Fi type services enables passengers to make the most of their journey by giving them the ability to access the internet, emails and media when travelling. Indeed Passenger Focus²⁷ has identified that the provision of Wi-Fi is important to passengers. Their research has shown that business passengers, in particular, value the ability to work on the train with 37% identifying it a key benefit of rail travel.
- 10.10 All available evidence leads us to conclude that the provision of Wi-Fi type services will increase passenger volumes and improve levels of passenger satisfaction. Accordingly, we are currently working with rail industry and communications providers to see if mobile communication including Wi-Fi type services can be improved prior to the next franchise. The aim is to provide the ability of passengers to enhance their journey experience by providing access to 21st century communication technology.
- 10.11 We also plan to include the provision of enhanced electronic communications within the contract for future ScotRail passenger services, encouraging bidders to identify the best technical solution and invest in appropriate facilities that meet the expectations of the day.

Comfort - First Class travel

- 10.12 First class services rely on having rolling stock which can accommodate the extra space and the services which are included as part of a first class ticket price. There are currently first class services

²⁷ Ashwin Kumar, Rail Passenger Director, Passenger Focus, *The Daily Telegraph* 5 September 2010

operating on the internal Scottish long-distance and intercity routes but there is no first class provision on other commuter or rural routes. There are also first class facilities on the cross-border trains operated by other Train Operating Companies.

10.13 The provision of first class services is currently a commercial matter for the operator of the ScotRail franchise, representing about 5% of revenue but only 0.6% of ticket sales.

10.14 Rolling stock with first class Sections have fewer seats overall compared with a fully standard configuration. On routes, and at times, when overcrowding is an issue, there could be an argument to remove first class services and provide additional capacity, and we would be interested in your views.

Safety and security issues

10.15 Ensuring passengers are, and feel, secure during their journey requires the interaction of a number of policies, activities and organisations.

10.16 In the Passenger Focus National Passenger Survey report (spring 2011) published in June 2011²⁸, 71% of ScotRail passengers stated that they were satisfied with the level of security at stations and 83% satisfied with security whilst on board. This compares with national figures of 66% and 76% respectively.

10.17 Security matters overall are still reserved to the Westminster Parliament and UK Government and as part of its license conditions a Train Operating Company (TOC), such as First ScotRail, is required to enter into a Police Service Agreement (PSA) with the British Transport Police (BTP) who police the rail network. The BTP has passenger safety and confidence at the heart of its policy objectives and has a number of initiatives including putting more officers on the network in the evening, and neighbourhood policing teams.

10.18 One of the most distressing ways to spend a rail journey is to be subject to the bad behaviour of other passengers. This can be fuelled by excessive drinking of alcohol. Currently BPT and ScotRail implement alcohol bans on specific services during events (such as services to/from rugby and football matches). However consideration is being given to whether there should be a ban on the consumption of alcohol on all trains in Scotland and we welcome views.

Safety and security – CCTV

10.19 The use of surveillance systems, such as CCTV, can reduce the amount of actual crime and make people feel more secure. There has been considerable investment over the last few years in this technology. Two thirds of stations in Scotland now have CCTV with cameras linked to two monitoring centres, in Paisley and Dunfermline. Stations with

²⁸ *National Passenger Survey: Spring 2011: Main Report, Passenger Focus, 2011*

CCTV are monitored and announcements can be made and staff alerted to issues. In addition every station platform now has a help point for passengers to contact these centres directly to make inquiries and ask for assistance.

10.20 Most trains also have CCTV installed, but are not monitored on a live basis. Recordings are made to allow retrospective viewing of train incidents. We are looking at the possibility of whether these systems could be utilised more.

Safety and security - staffing on trains

10.21 Under the current franchise agreement, all ScotRail services should have a second member of staff on board the train in addition to the driver. This second member of staff focuses on customer care and revenue protection duties and is also trained to assist the driver in an emergency situation. In some cases the second member of staff is a conductor who is also responsible for certain operational duties including operating train doors.

10.22 In addition, with many of the rail stations being unstaffed, having a member of staff on board the train allows for assistance to be given to disabled people to get on and off the train. All trains have to carry ramps and staff are there to deploy them.

10.23 All of ScotRail's customer facing staff are provided with customer service training including how to handle difficult situations and conflict resolution.

10.24 It is our intention for the next franchise that a driver and another member of staff shall be present on every service.

Travel information

10.25 Passengers require good quality information about what should be, and is, happening on the rail network. Train service information is disseminated through various media and it is essential that this information is consistent, accurate and provided in a timely manner.

10.26 There has been considerable investment in information systems over the last few years, and now all of the larger and busier stations have customer information screen and public address systems, and all stations have help points. In addition we currently require the franchisee to maintain a website which is one of the main ways in which travel information is obtained.

10.27 The newer trains have on-board displays showing the next station and automatic announcements, and many of the older trains have been retro-fitted with these systems. ScotRail also currently provides information in the form of audible announcements on trains that do not have systems.

10.28 All of ScotRail's stations, including smaller, un-staffed stations have an onward journey poster with details of the surrounding areas. At the larger stations, directions to buses and taxis are sign-posted. All of this information is also available on the ScotRail website.

10.29 ScotRail also operates a customer contact centre which provides a wide range of retailing and information provision, including general travel enquiries, ticket sales, reservations, customer complaints, and enabling passengers to book assistance with their travel. The centre can be contacted by telephone, letter or email. The current franchise agreement requires that this customer contact centre has to be delivered and maintained in Scotland.

10.30 One of the greatest causes of passenger dissatisfaction is the lack of information when things go wrong with their rail journey. We are working closely with the rail industry to address this important issue and a working party involving Transport Scotland, ScotRail, Network Rail and Passenger Focus has been established. The Office of Rail Regulation is also considering what GB industry-wide improvements can be made. We would welcome views on how the provision of information can be further improved.

Questions	
33	How should we prioritise investment for mobile phone provision and / or Wi-Fi type high-bandwidth services?
34	How should we balance the need for additional seating capacity and retain the flexibility of a franchisee to offer first-class services if commercially viable?
35	What issues and evidence should be considered prior to determining whether or not to ban the consumption of alcohol on trains?
36	How can the provision of travel information for passengers be further improved?

11 - Caledonian Sleeper

11.1 There are currently two rail sleeper services operating between Scotland and London. As part of this review of rail passenger services we are considering how to continue to fund, and contract for, these Caledonian Sleeper services and would be interested in your views.

Current Operation

11.2 The Caledonian Sleeper service consists of two sleeper services operating nightly, except Saturdays, between Scotland and London. Both of these are currently provided as part of the ScotRail franchise.

11.3 The Lowland Sleeper:

- Edinburgh to London, and Glasgow to London, with trains joining at Carstairs just after midnight, and arriving in London in the early morning
- London to Edinburgh and Glasgow with the train splitting at Carstairs in the morning, and arriving in the early morning in both cities

11.4 The Highland Sleeper:

- separate trains from Fort William, Inverness and Aberdeen which join together at Edinburgh, and arrive in London Euston in the early morning
- one train from London Euston, splitting at Edinburgh in the early morning, into three separate trains stopping at a total of 36 stations across the Highlands

11.5 The Caledonian Sleeper services require 66 vehicles a day to operate. Daily servicing and maintenance is carried out in Glasgow, London, Aberdeen and Fort William. Major maintenance is carried out in Inverness and each carriage must be rotated through Inverness for servicing on a regular eight-day rotation.

11.6 It costs around £21 million a year to provide the Caledonian Sleeper services, excluding the track access costs.

Issues

11.7 The Caledonian Sleeper services provide an alternative to air travel, particularly to and from the North of Scotland. However the services are likely to face increasing competition in the next few years due to:

- improvements in journey times and timetables for daytime services to/from the central belt and London
- passengers having higher expectations of the facilities and services available, and therefore alternatives such as budget hotels and sleeper bus services become more attractive

11.8 Commissioned reports and passenger research, however, show that improvements in on-train facilities making them more attractive, could lead to an increase in demand for the Sleeper Services.

Rolling stock refurbishment

11.9 The rolling stock used by the Caledonian Sleeper services was built in the early 1970s. Although it is mechanically sound and has been cosmetically refurbished a number of times, the level of accommodation provided falls short of the expectations of today's passenger.

11.10 It would be possible for rolling stock to be upgraded - for example, to reduce noise, improve beds, provide better temperature controls. In addition the booking system could be improved. Consideration is also being given to providing en-suite accommodation - although this would significantly reduce the number of berths available and presents technical challenges in water and power supply.

Options

11.11 Overall we consider that there is the potential to improve the longer-term financial performance across all the sleeper service routes, through investment in services and rolling stock.

11.12 We are considering a number of options for the future provision of sleeper services, for instance: removing or increasing financial support; and reducing the provision, either through removing the Highland or Lowland service, or by running the Lowland services to and from Edinburgh only.

11.13 We are also carrying out additional research and financial modelling and are looking at a number of options including letting the sleeper services as a separate franchise. This option may enable greater commercial opportunities for the service provider and facilitate investment in the fleet. As a specialised service, it may benefit from more focused and specialised management. A sleeper-only franchise service could also attract new entrants with innovative ideas to the rail franchise market

Questions	
37	Should we continue to specify sleeper services, or should this be a purely commercial matter for a train operating company?
38	Should the Caledonian Sleeper services be contracted for separately from the main ScotRail franchise? Or should it be an option for within the main ScotRail franchise?
39	<p>We would be interested in your views in the level and type of service that the Caledonian Sleeper Services should provide. Including:</p> <ul style="list-style-type: none"> • What is the appeal of the Caledonian Sleeper Service, and if there were more early and late trains would the appeal of the sleeper services change? • What is the value of sleeper services to Fort William, Inverness and Aberdeen and are these the correct destinations, for example would Oban provide better connectivity? • What facilities should the sleeper services provide and would you pay more for better facilities?

12 - Environmental issues

12.1 Rail travel is considered as one of the greener forms of travel, and an integral component of Scotland's transport system. However we, and the rail industry, recognise that there are still many ways that rail can reduce its environmental impact.

Carbon

12.2 The Scottish Government has adopted challenging carbon reduction targets and all sectors and areas must contribute so that they can be achieved. The Climate Change (Scotland) Act 2009 places obligations on the Scottish Ministers to promote energy efficiency to ensure that Scottish emissions are 80% lower in 2050 than the baseline of 1990. The current ScotRail franchise holder has set its own carbon emission targets and we will expect the future provider to also have carbon emission targets.

12.3 Transport Scotland has developed a Carbon Management System (CMS) which measures the annual operational carbon and the carbon associated with project work. We plan to mandate the use of the CMS in all future rail contracts and agreements.

Waste

12.4 Waste disposal has major climatic impacts. Scotland's first Zero Waste plan was launched in 2010, and this contains the long term target of recycling 70% of all Scotland's waste. The rail industry will need to contribute towards the targets which have been set. We therefore intend to place a requirement on the industry to embed zero waste principles within their business operations. This will provide a real opportunity for government and the private sector to work together to manage all waste in a holistic way for the benefit of Scotland regardless of where it originated. We are therefore considering including waste management and re-cycling targets within the future contracts and agreements.

Biodiversity

12.5 The Scottish Governments Biodiversity Strategy places a requirement on all public bodies to take account of, and promote, biodiversity conservation and enhancement in all their functions and activities. We will therefore be requiring future rail contracts and agreements to include a biodiversity commitment.

Sustainability

12.6 Our overall policy of promoting modal shift for both passenger and freight will assist in reductions in the amount of energy required to transport people, however this will require a closer harmonisation of capacity with demand. Further details on this aspect can be found in Section 5, train services.

12.7 The Sustainable Rail Programme (SRP) was developed by key UK industry stakeholders including Transport Scotland. From SRP ten Sustainable Development Principles were developed to reflect the knowledge and understanding of the challenges and opportunities of sustainable development across the rail industry.

Environmental themes

12.8 All of these issues have been given due consideration and we are therefore proposing to embed three key environmental themes within our requirements from future contracts for rail passenger services and outputs provided by Network Rail. The three principles to be given priority are:

- reducing our environmental impact
- being carbon smart
- being energy wise

Questions	
40	What environmental key performance indicators should we consider for inclusion in the franchise agreement or the High Level Output Specification?

The consultation process

Sending responses

We welcome your views on the issues raised in this documents. All of the questions are set out again on the Respondent Information Form in Annex D, and please feel free to provide other information that you consider may assist us.

Please complete the Respondent Information Form to submit your answers. An electronic version of the form is on the website, and we would really appreciate it if you could complete the form electronically as it will assist with the collation of responses.

The form is on the website at: www.transportscotland.gov.uk/rail2014

Please make sure you complete the boxes on the front of the form to tell us how you would like us to use your form. We can publish your response on the Transport Scotland website if you wish. You can tell us if you would like us to publish your name and address, or just your name, or you can remain anonymous. If you ask us not to publish your response, we will still take your views into account for the franchising of rail passenger services and the High Level Output Specification.

If you do not fill in the part of the form called Permissions, we will assume you do not want us to publish your comments on the website. We will still read what you say and take it into account.

The form should be returned to us at:

Rail2014@transportscotland.gsi.gov.uk

Postal submissions should be sent to:

Rail2014
Transport Scotland
Buchanan House
58 Port Dundas Road
Glasgow G4 0HF

Closing date

The closing date for responses is **20 February 2012**.

Further discussion

We have a range of events and activities planned over the consultation period in which we will be discussing the consultation further. Further details can be found on our web pages:

www.transportscotland.gov.uk/rail2014

Assessing the impacts

Alongside the consultation we are conducting a full equalities impact assessment. We are also determining the level of environmental impact assessment that we need to carry out.

We do not currently consider that a full Strategic Environmental Assessment (SEA) will need to be conducted but will make a final determination after the consultation is concluded. We are however carrying out an environmental screening of the options in this document and will be formally consulting the Consultation Authorities to seek their views prior to making a determination about undertaking an SEA.

What happens next

The responses from this consultation along with our ongoing research and modelling work, responses to previous consultations, and discussions with key stakeholders, will be used to help us determine how to fund and contract for rail passenger services. The responses will inform our inputs to the rail industry processes which are ongoing as part of the periodic review of funding for Network Rail.

We intend to publish our Franchising Policy Statement in the spring of 2012 and an outcomes report on this consultation later in that year. Our High Level Outputs Specification will be published in July 2012 and details of the future contract(s) for rail passenger services will be published towards the end of 2012.

Annex A – Glossary

Association of Train Operating Companies (ATOC)	Industry organisation which represents the collective interests of the train companies which operate rail passenger services in GB
Consumer Price Index (CPI)	Measures changes in the price level of consumer goods and services purchased by households
Control Period	A set five-year period in which Network Rail has to deliver certain outputs
Department for Transport (DfT)	The UK Government Department responsible for managing those rail franchises operating in England and Wales
Fares basket	Selection of pricing options allowing operators the flexibility to vary fares within regulated limits
First ScotRail	A subsidiary company of FirstGroup plc which currently operates as the ScotRail franchise
Franchise Agreement	Contract between government and a train operating company for the delivery of rail passenger services
Franchisee	The train operating company who provides passenger rail services in accordance with the current franchise agreement
Freight Operating Company (FOC)	Companies responsible for the transportation of goods on the rail network
Glasgow Subway	The underground railway owned and managed by Strathclyde Partnership for Transport. (Issues relating to the Glasgow Subway are not covered by this consultation).
Gross Domestic Product (GDP)	The market value of all goods and services produced within a country

High Level Output Specification (HLOS)	The strategic document which states what the Scottish Government requires Network Rail to deliver in a control period.
Infrastructure Investment Plan (IIP)	Report which outlines the Scottish Government's expenditure on infrastructure.
Initial Industry Plan (IIP)	Document published by Network Rail and industry partners, representing industry's view on the next High Level Output Specification.
Interchange stations	Train station serving more than one route, allowing passengers to change from one route to another
National Passenger Survey (NPS)	Bi-annual survey of passenger views carried out across GB by Passenger Focus
Network Rail (NR)	The owner and operator of the rail infrastructure in Great Britain
Off-peak	The time of day which is not covered by the peak periods
Office of Rail Regulation (ORR)	The economic and safety regulator for GB railways
ORCATS (Operational Research Computerised Allocation of Tickets to Services)	A system designed to allocate ticket revenue when a ticket or journey involves trains operated by multiple TOCs.
Outputs (Network Rail)	Network Rail performance achievements
Passenger Focus (Rail Passengers' Council)	An executive non-departmental public body set up to protect the interests of passengers. It is sponsored by the Department for Transport
Parent Company Guarantee	Guarantee to address financial risk
Peak periods	Those times of the day when the majority of commuters use the rail system. There are different peak periods in different parts of Scotland
Performance Bonds	Financial guarantee from the franchisee
Performance Incentive Payments	A system of payments to encourage achievement

Public performance measure	An assessment of the percentage of planned trains that are neither cancelled nor late
Rail passenger service operators	Companies which provide train and station services, usually through franchises
Regulated fares	Train fares for which Scottish Ministers set the rules on fare pricing
Retail Price Index	A measure of inflation, published monthly, by the Office of National Statistics
Rolling stock	The trains: both electric and diesel
Rolling Stock Leasing Company (ROSCOs)	The companies that own the trains which are then leased by Train Operating Companies
ScotRail	The brand name used for Scottish rail services operated by the ScotRail franchisee
SMART ticketing	Integrated transport ticketing across modes and operators
Specification (franchise)	How we set out what is required from the company running the franchise
SQUIRE (Service Quality Inspection Regime)	A monitoring and audit process to determine the franchisee's performance in maintaining train and station facilities
Track access charges	The levy placed upon train and freight operating companies to access specific routes on the GB rail network
Traction electricity costs	Electricity used for powering trains
Train Operating Company (TOC)	Companies which have a licence to run rail passenger trains
Transport Scotland	The national transport agency of Scotland accountable to the Scottish Ministers
Sustainable Rail Programme	Cross-industry group set up to tackle sustainable development issues
Unregulated fares	Fares levied by the train operating company which are not regulated by government

Annex B – Useful documents and websites

Documents

A Better Railway for Britain: Rail Industry Sustainable Development Report 2011

<http://www.rssb.co.uk/NP/SRP/Pages/RailIndustrySustainableDevelopmentReport2011.aspx>

Biodiversity in your hands : Scottish Executive, 2004

<http://www.scotland.gov.uk/Resource/Doc/25954/0014583.pdf>

Climate Change Scotland Act : Scottish Government, 2009

<http://www.legislation.gov.uk/asp/2009/12/contents>

First Railway Package : European Commission, 2001

http://ec.europa.eu/transport/rail/packages/2001_en.htm

Freight Action Plan : Scottish Executive, 2006

<http://www.scotland.gov.uk/Publications/2006/11/16153148/0>

Government Economic Strategy : Scottish Government, 2011

<http://www.scotland.gov.uk/Publications/2011/09/13091128/0>

Infrastructure Investment Plan 2008 : Scottish Government, 2008

<http://www.scotland.gov.uk/Publications/2008/03/28122237/0>

Initial Industry Plan 2011 : Planning Oversight Group, 2011

<http://www.networkrail.co.uk/IIP.aspx>

National Passenger Survey : Passenger Focus, 2004 onwards

<http://www.passengerfocus.org.uk/research/nps/content.asp>

National Planning Framework 2 : Scottish Government, 2009

<http://www.scotland.gov.uk/Resource/Doc/278232/0083591.pdf>

National Transport Strategy : Scottish Executive, 2006

<http://www.transportscotland.gov.uk/strategy-and-research/nts>

Passenger Focus Reports : Passenger Focus, 2009 onwards

<http://www.passengerfocus.org.uk/news-and-publications/press-release.asp?dsid=2530>

Passenger Priorities Research : Passenger Focus

<http://www.passengerfocus.org.uk/research/bus-and-coach/content.asp?dsid=3253>

Rail Freight Policy Consultation : Scottish Government, 2010
<http://www.transportscotland.gov.uk/strategy-and-research/publications-and-consultations/Developing-Rail-Freight-Policy-in-Scotland>

Realising the Potential of GB Rail, McNulty : ORR & DfT, 2011
<http://www.rail-reg.gov.uk/server/show/ConWebDoc.10401>

Scotland Route Utilisation Strategy Generation Two : Network Rail, 2011
<http://www.networkrail.co.uk/.../route%20utilisation%20strategies/rus%20generation%202/scotland/scottishrusbook.pdf>

Scotland's Railways : Scottish Executive, 2006
<http://www.scotland.gov.uk/Resource/Doc/157764/0042650.pdf>

Scottish Transport Appraisal Guidance : Scottish Government, 2008
<http://www.transportscotland.gov.uk/files/documents/reports/j9760/j9760.pdf>

Station Car Parking in Scotland Consultation: Scottish Government, 2010
<http://www.transportscotland.gov.uk/strategy-and-research/publications-and-consultations/Station-car-parking-in-Scotland-consultation>

Strategic Transport Projects Review : Scottish Government, 2008
<http://www.transportscotland.gov.uk/strategy-and-research/strategic-transport-projects-review>

The Potential for Increase On-rail Competition – A Consultation Document, 2011, Office of the Rail Regulator
<http://www.rail-reg.gov.uk/pr13/consultations/orr017.php>

Transport Scotland Annual Report and Accounts, 2010/11
<http://www.transportscotland.gov.uk/strategy-and-research/publications-and-consultations/j201251-00.htm>

Zero Waste Scotland Plan : Scottish Government, 2010-
<http://www.scotland.gov.uk/Resource/Doc/314168/0099749.pdf>

Websites

Association of Train Operating Companies website : <http://www.atoc.org/>

Department for Transport website : <http://www.dft.gov.uk/>

Network Rail website : <http://www.networkrail.co.uk/>

Office of Rail Regulation website : <http://www.rail-reg.gov.uk/>

Passenger Focus : <http://www.passengerfocus.org.uk/>

ScotRail website : <http://www.scotrail.co.uk/>

Transport Scotland website : <http://www.transportscotland.gov.uk/>

Annex C – List of organisations being consulted

Government and Parliaments

Association of Scottish Community Councils
Convention of Scottish Local Authorities (COSLA)
Department for Transport
Disabled Persons Transport Advisory Committee - DPTAC
Historic Scotland
Local Authorities (Chief Executives of all Scottish Local Authorities)
Local Authorities transport / planning departments
MPs - Members of Parliament, House of Commons
MSPs - Members of the Scottish Parliament
MEPs – Scottish Members of the European Parliament
Mobility and Access Committee for Scotland
Regional Transport Partnerships (RTPs)
Scottish Environmental Protection Agency (SEPA)
Scottish Natural Heritage (SNH)
Scottish Parliament – Infrastructure and Capital Investment Committee
Secretary of State for Scotland
Secretary of State for Transport

Rail industry and unions

Arriva
ASLEF
Association of Train Operating Companies (ATOC)
British Transport Police Authority (BTPA)
British Transport Police (BTP)
Cargo D
DB Schenker
Direct Rail Services
East Coast Rail Ltd
First Group
Freight on Rail
Freight Transport Association
Freightliner
GB Rail Freight
National Express
Network Rail
Northern Rail
Office of Rail Regulation
Passenger Focus
Passengers Views Scotland (Public Transport Users Committee)
Rail Freight Group
Railway Industry Association
Rail Safety and Standards Board
RMT
Scottish Trades Union Congress

Stagecoach
Stobart Rail
TSSA
Unite
Virgin Trains
W. H. Malcolm

Groups, and associations, including demand generators

A82 Partnership
Aberdeen – Edinburgh (Campaign for Rail Enhancement)
Adopt a Station
Age Scotland
Capital Rail Action Group
CBI Scotland
Chartered Institute of logistics and Transport
Clydesdale Rail Action Group
Community Transport Association Scotland
CTC Scotland
Cycling Scotland
Cupar Station Rail Users Group
Deafblind Scotland
Dornoch Rail Link Action Group
ENABLE
Engender
Federation of Small Businesses
Ferry companies
Friends of the Earth Scotland
Friends of the Far North Line
Friends of the West Highland Line
Glasgow – Edinburgh Collaboration Initiative
Health Scotland
Highland & Islands Enterprise
Highland Rail Partnership
Homes for Scotland
Inclusion Scotland
Institute of Directors, Scotland
LGBT Youth Scotland
Rail Action Group, East of Scotland
Rail Users Group
RailFuture Scotland
Scottish Accessible Transport Alliance
Scottish Association for Public Transport
Scottish Chambers of Commerce
Scottish Committee of Heritage Railway Association
Scottish Council for Development and Industry
Scottish Development International
Scottish Disability Equality Forum
Scottish Enterprise
Scottish Environmental Link

Scottish Financial Enterprise
Scottish Funding Council
Scottish Pensioners Forum
Scottish Prison Service
Scottish Property Federation
Scottish Railways Preservation Society
Scottish Rural Network
Skills Development Scotland
SPOKES
Stranraer to Ayr Line Support Association
Sustrans
Transform Scotland
Universities Scotland
Visit Scotland

Annex D - Respondent Information Form and Questions

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

Title Mr Ms Mrs Miss Dr *Please tick as appropriate*

Surname

Forename

2. Postal Address

Postcode

Phone

Email

3. Permissions - I am responding as...

Individual / Group/Organisation

Please tick as appropriate

- (a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please tick as appropriate Yes No

- (b) Where confidentiality is not requested, we will make your responses available to the public on the following basis
Please tick ONE of the following boxes

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

- (c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please tick as appropriate Yes No

- (d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate

Yes

No

Consultation Questions

There is an electronic form with all of the questions, on the website at:
www.transportscotland.gov.uk/rail2014

Procuring rail passenger services

1. What are the merits of offering the ScotRail franchise as a dual focus franchise and what services should be covered by the economic rail element, and what by the social rail element?

Q1 comments:

2. What should be the length of the contract for future franchises, and what factors lead you to this view?

Q2 comments:

3. What risk support mechanism should be reflected within the franchise?

Q3 comments:

4. What, if any, profit share mechanism should apply within the franchise?

Q4 comments:

5. Under what terms should third parties be involved in the operation of passenger rail services?

Q5 comments:

6. What is the best way to structure and incentivise the achievement of outcome measures whilst ensuring value for money?

Q6 comments:

7. What level of performance bond and/or parent company guarantees are appropriate?

Q7 comments:

8. What sanctions should be used to ensure the franchisee fulfils its franchise commitments?

Q8 comments:

Achieving reliability, performance and service quality

9. Under the franchise, should we incentivise good performance or only penalise poor performance?

Q9 comments:

10. Should the performance regime be aligned with actual routes or service groups, or should there be one system for the whole of Scotland?

Q10 comments:

11. How can we make the performance regime more aligned with passenger issues?

Q11 comments:

12. What should the balance be between journey times and performance?

Q12 comments:

13. Is a Service Quality Incentive Regime required? And if so should it cover all aspects of stations and service delivery, or just those being managed through the franchise?

Q13 comments:

14. What other mechanisms could be used for assessing train and station quality?

Q14 comments:

Scottish train services

15. Can better use be made of existing train capacity, such as increasing the permitted standing time beyond the limit of 10 minutes or increasing the capacity limit? What is an acceptable limit for standing times on rail services?

Q15 comments:

16. Should the number of services making use of interchange stations (both rail to rail and rail to other modes) be increased to reduce the number of direct services? What would be the opportunities and challenges of this?

Q16 comments:

17. Should Government direct aspects of service provision such as frequency and journey time, or would these be better determined by the franchisee based on customer demand?

Q17 comments:

18. What level of contract specification should we use the for the next ScotRail franchise?

Q18 comments:

19. How should the contract incentivise the franchisee to be innovative in the provision of services?

Q19 comments:

Scottish rail fares

20. What should be the rationale for, and purpose of, our fares policy?

Q20 comments:

21. What fares should be regulated by government and what should be set on a commercial basis? Do your recommendations change by geographic area (the Strathclyde area example), or by type of journey (for example suburban or intercity)?

Q21 comments:

22. How should we achieve a balance between the taxpayer subsidy and passenger revenue contributions in funding the Scottish rail network? At what rate should fares be increased, and how feasible would it be to apply higher increases to Sections of the network which have recently been enhanced?

Q22 comments:

23. What should the difference be between peak and off-peak fares? Will this help encourage people to switch to travelling in the off-peak?

Q23 comments:

Scottish stations

24. How should we determine what rail stations are required and where, including whether a station should be closed?

Q24 comments:

25. What are the merits or issues that arise from a third party (such as a local authority or local business) being able to propose, promote and fund a station or service?

Q25 comments:

26. Should only one organisation be responsible for the management and maintenance of stations? If this was the franchisee how should that responsibility be structured in terms of leasing, investment, and issues relating to residual capital value?

Q26 comments:

27. How can local communities be encouraged to support their local station?

Q27 comments:

28. What categories of station should be designated and what facilities should be available at each category of station?

Q28 comments:

Cross-border services

29. Should cross-border services continue to go north of Edinburgh? In operating alongside ScotRail services, how do cross-border services benefit passengers and taxpayers? And who should specify these services, the Department of Transport or the Scottish Ministers?

Q29 comments:

30. Or should the cross-border services terminate at Edinburgh Waverley, allowing opportunities for Scottish connections? And if so, what additional benefits would accrue from having an Edinburgh Hub?

Q30 comments:

Rolling stock

31. What alternative strategies or mechanisms could be used to reduce the cost of the provision of rolling stock?

Q31 comments:

32. What facilities should be present on a train and to what extent should these facilities vary according to the route served?

Q32 comments:

Passengers – information, security and services

33. How should we prioritise investment for mobile phone provision and / or Wi-Fi type high-bandwidth services?

Q33 comments:

34. How should we balance the need for additional seating capacity and retain the flexibility of a franchisee to offer first-class services if commercially viable?

Q34 comments:

35. What issues and evidence should be considered prior to determining whether or not to ban the consumption of alcohol on trains?

Q35 comments:

36. How can the provision of travel information for passengers be further improved?

Q36 comments:

Caledonian Sleeper

37. Should we continue to specify sleeper services, or should this be a purely commercial matter for a train operating company?

Q37 comments:

38. Should the Caledonian Sleeper services be contracted for separately from the main ScotRail franchise? Or should it be an option for within the main ScotRail franchise?

Q38 comments:

39. We would be interested in your views in the level and type of service that the Caledonian Sleeper Services should provide. Including:

- What is the appeal of the Caledonian Sleeper Service, and if there were more early and late trains would the appeal of the sleeper services change?
- What is the value of sleeper services to Fort William, Inverness and Aberdeen and are these the correct destinations, for example would Oban provide better connectivity?
- What facilities should the sleeper services provide and would you pay more for better facilities?

Q39 comments:

Environmental issues

40. What environmental key performance indicators should we consider for inclusion in the franchise agreement or the High Level Output Specification?

Q40 comments:

Further copies of this document are available, on request, in audio and large print formats and in community languages (Urdu; Bengali; Gaelic; Hindi; Punjabi; Cantonese; Arabic; Polish).

اس دستاویز کی مزید کاپیاں آڈیو کیسٹ پر اور بڑے حروف کی چھپائی میں اور کمپوٹی کی زبانوں میں طلب کیے جانے پر دستیاب ہیں، برائے مہربانی اس پتے پر رابطہ کریں:

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Gheibhear lethbhreacan a bharrachd ann an cruth ris an èistear, ann an clò mòr agus ann an cànan coimhearsnachd. Cuir fios gu:

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此文件有更多備份，如果需要，語音版本和大字體版本及少數種族語言版本也可提供，請聯絡:

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Aby otrzymać niniejszy dokument w innej wersji językowej, na kasecie lub w wersji z powiększonym drukiem, prosimy o kontakt:

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