



Department for Transport

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From the Minister of State
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Our Ref: MC/425699

31 March 2023

Dear Dr Sahota,

Thank you for your letter of 17 March to Mark Harper, about suburban rail services in London. I am replying as the Minister responsible for rail.

The Department has been clear that the current poor performance on the railway is unacceptable, and the industry needs to make significant improvements to deliver the punctual, reliable services that passengers and taxpayers deserve. We continue to work closely with operators to ensure passengers remain at the heart of all decision making. We will hold operators to account for matters within their control. However, I would note that some of the recent disruption passengers have faced around London Bridge has been caused by issues not in operators' control, including trespassers on the line.

With regard to the payments received by train operating companies, the immediate and unprecedented operational support given to our railways, introduced within days of the start of the pandemic, protected services that key workers depended on. Without the emergency agreements, many operators would have faced imminent financial collapse, an outcome which would have caused chaos across the rail industry.

For keeping services running, under emergency agreements, operators were paid fees less than 2 percent of their pre-Covid cost base. Of the £209 million in fees payable under emergency arrangements between March 2020 and September 2021, £74 million were performance fees with £135 million management fees. Paying performance fees based on an assessment of performance against specified criteria drives better outcomes and value for passengers and taxpayers.

Management and performance fees are payable retrospectively on receipt of audited statutory accounts covering the period to which the fees relate.

In due course, and subject to conditions, they represent earnings that can be passed on to shareholders.

As the Secretary of State said at the Bradshaw Address in February 2023, operating the railways is currently financially unsustainable and it is not fair to continue asking taxpayers to foot the bill. Inflation has driven costs up, and the pandemic means demand has dropped. Industrial action has further depressed revenue.

We are working to align the costs of running the railways more closely with the revenue from passengers. We will look to take decisions through our annual business planning process with the operators where we can, aligning the services that operators provide with the different shape of passenger demand that exists post-pandemic.

At the Bradshaw address, the Secretary of State set out his vision for rail, including his commitment to the creation of a commercially driven Great British Railways (GBR) as the guiding mind for the railways, bringing together track, train and whole industry finance, and creating the right environment for the private sector to innovate and drive improvements on the railways.

In London and the South-East, a new strategic partnership will be established to support housing, economic growth and the environment across the highly interconnected transport network in that part of the country. This will bring together GBR, Transport for London and local authorities and businesses to coordinate timetabling and investments and to provide a consistent passenger experience in areas such as accessibility, ticketing and communications.

Rail services in London will benefit from the creation of GBR. It will provide strong unified leadership across the rail network, bringing ownership of the infrastructure, fares, timetables and planning the network under one roof. Any assessment of future devolution must consider the benefits to passengers and value to the taxpayer. We would expect to see a full consideration of options, and the rationale that leads to a particular option being recommended, and how this aligns with the Plan for Rail.

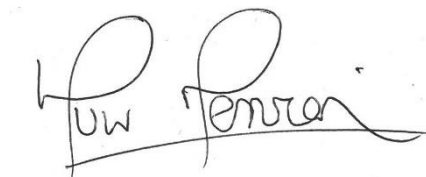
The Secretary of State committed to publication of the whole industry Long Term Strategy for Rail by the end of 2023. Department for Transport officials continue to support the Great British Railways Transition Team (GBRTT) as it develops the strategy, working with stakeholders. With respect to freight strategy, the Long Term Strategy will include opportunities for freight, helping to maximise the social, economic and environment benefits that it delivers.

The National Rail Accessibility Strategy (NRAS) will be the first robust, joined-up, system-wide approach to accessibility.

The GBRTT has been formally commissioned to develop the NRAS and will provide more information on plans for consultation and publication in due course.

I hope that this reply is helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Huw Merriman', with a stylized flourish at the end.

HUW MERRIMAN MP

MINISTER OF STATE FOR TRANSPORT