

MAYOR OF LONDON

Rt Hon Chris Grayling MP

Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Date: 20 JUL 2016

Dear Chris,

Many congratulations on your appointment as Secretary of State for Transport. I look forward to working closely together over the years ahead, and to meeting at your earliest convenience to discuss our shared transport agenda.

Most urgently, I would like to discuss how we can work together to improve rail services in the capital. National rail services are a vital part of London's transport network and improving the capacity, frequency and reliability of services will be crucial to managing London's population growth over the decade ahead.

The previous Secretary of State and Mayor of London recently published a document setting a direction of travel for the Department for Transport (DfT) and Transport for London (TfL) to work together to improve rail services across London and the South East. The key issue is the transfer of inner suburban London services from the DfT to TfL. This new partnership provides the best path to improving services for customers and commuters, and supporting continued economic growth in London and the South East.

There is cross-party support for these proposals at every level of London Government, as well as from stakeholders and rail users outside London – including both Kent and Surrey County Councils. Our officials are working closely with a wide range of stakeholders to explore our plans in more detail. For example, Kent County Council has helped shape the safeguards that will ensure longer distance services will not be adversely affected by any changes to London's suburban services.

We must now take these proposals forward in more detail with a greater sense of urgency. With just under two years to the re-letting of the Southeastern franchise in June 2018, we are working to some very pressing deadlines. I would be keen to announce a deal on this as a key step on the path to a wider devolution deal for London that I am discussing with other Government departments.

This issue is made even more urgent by the ongoing chaos on the Southern railway part of the Govia Thameslink franchise. Thousands of Londoners and longer-distance commuters simply cannot get to and from work, and are understandably furious. There is no doubt that the franchise must now be in default, and I have previously called for your Department to step in and take control. Notwithstanding the wider discussions on devolution, I now offer to go one step further and put my senior TfL team in charge of the GTR Southern franchise until we get a permanent resolution.

MAYOR OF LONDON

The final urgent issue I would like to discuss is London's air quality. You will have seen that I have set out a package of bold measures to tackle air pollution. However, we will need to work together if we are to reduce the number of Londoners who die every year as a result of poor air quality. I would like to see Government act by creating a national diesel scrappage scheme, devolving Vehicle Excise Duty to London, passing a new Clean Air Act and addressing the current deficiencies in the DVLA database that make it harder for us to act.

Once again many congratulations on your appointment, and I look forward to working together on these important issues.

Yours sincerely,



Sadiq Khan
Mayor of London

MAYOR OF LONDON

Rt Hon Chris Grayling MP

Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Our Ref: MGLA100816-1853

Date: 11 AUG 2016

Dear Chris,

Thank you for the response to my letter of 20 July that I received from Paul Maynard MP.

I am grateful your department is clear that the situation with Southern services must improve and I welcome the news that the strike has been suspended to allow further talks to take place, but unless action is taken by the Government to bring Southern Rail to account the thousands of commuters who rely on Southern Rail will continue to suffer the appalling level of service they have now been enduring for months on end.

In any other walk of life the service offered to paying customers by GTR Southern would not be tolerated, so enough really is enough. We simply cannot continue to reward failure in this way and it is clear to me that we need a major change if we are to break this impasse.

My offer for TfL to get a grip of Southern Rail still stands. From day one, I am confident that TfL can deliver a far better service than Southern Rail by immediately assigning an experienced team to fix the service. They have expertise in running public transport services that are relied upon day in day out by millions of people, including the complex railway operations of London Underground in addition to Overground, TfL Rail and DLR services.

Importantly, the principle of TfL taking on more rail services and the new accountability arrangements this would require have already been accepted by your department, as set out in the joint DfT/TfL rail prospectus earlier this year, which has the cross-party support of politicians and councils as well as the backing of passenger bodies in London and the wider South East.

I urge you to act now and accept my offer - the passengers who rely on Southern Rail deserve a far better service and this will not happen while the current situation persists.

Yours sincerely,



Sadiq Khan
Mayor of London

*PS Am, of course, happy to meet
to discuss.*

MAYOR OF LONDON

Rt Hon Chris Grayling MP

Secretary of State
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Date: 30 AUG 2016



I thought it would be good to outline my thinking regarding HS2 and how I would like us to work together to deliver a new railway which minimises its impacts to London and maximises its longer term legacy benefits to Londoners.

HS2 presents an incredible opportunity for London, but the capital is disproportionately affected by the construction and operation of HS2. If changes to the current proposals are not made soon, opportunities will be missed from a regeneration and transport perspective. This remains a key concern to me despite the progress that has been made between DfT, HS2, TfL, GLA and the London Borough of Camden (LB Camden) in securing changes to the HS2 scheme through the agreement of various Assurances.

I am particularly concerned that the current HS2 proposals will have a significant negative impact on residents and businesses throughout London, and in particular in Camden, and I raised this with David Higgins, Chair of HS2, at our meeting on 6 June. On my recent visit to Euston, discussions with LB Camden officials and local community representatives identified a number of serious concerns; in particular the number of HGVs proposed and air quality impacts stemming from HS2's construction.

Whilst acknowledging the reality of the timescales we are faced with, I don't accept that we can simply ride roughshod over people's quality of life and livelihoods. I see three major issues that we should address:

1. **Air Quality:** I was alarmed to hear that HS2 has not agreed to an extensive air quality monitoring regime using continuous monitoring equipment which assesses a range of air pollution effects including NO₂ and PM₁₀ as was used by the Crossrail project. This needs to be put right.
2. **Construction Impacts:** More broadly, we need to go further in reducing the impacts of HS2 construction. HS2 can and should do more across London where less than 20% of material is currently anticipated to be moved by rail compared to Crossrail where 80% was moved by rail or water.

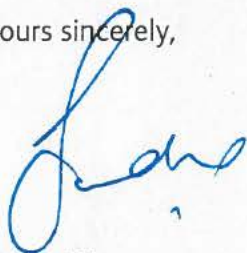
MAYOR OF LONDON

3. A Better Euston: We still do not have the right solution at Euston and further work is urgently required to develop a properly integrated station including the existing Network Rail (NR) and future Crossrail 2 stations, as well as over-station development as envisioned in the Euston Area Plan. The Plan, formally adopted by Camden and the GLA, seeks to deliver over 3,000 new homes and 14,000 new jobs based on a fully integrated approach to station development. While NR has now finally started to consider options to rebuild the existing mainline station, this isn't progressing quickly enough and I believe that we need to think more radically, for example the DfT should be giving proper consideration of using Old Oak as a temporary terminus for HS2 services to allow sufficient time to review the proposals at Euston. The opportunity to transform Euston as a place and deliver growth for London, whilst minimising local impact, will be lost if a comprehensive scheme is not taken forward.

In December 2015, your predecessor agreed to establish an HS2 High Level Forum to discuss issues and seek remedies for matters affecting London. Engaging with the heads of HS2 Ltd, Network Rail, TfL, LB Camden (as well as other London local authorities as required), OPDC and yourself is a valuable opportunity to agree the strategic priorities that are needed at Euston, Old Oak and across the HS2 route in London. A High Level Forum will also give a clearer direction to the teams that will be involved in progressing and ultimately delivering the best scheme for London and the UK.

In light of the planned Royal Assent of the HS2 Hybrid Bill in December 2016/January 2017, it would be timely to have our first High Level Forum before the end of September to check on progress on the various assurances agreed and discuss how wider issues will be progressed. I will ask my officials to work with your team to find a date and time that works for the various attendees.

Yours sincerely,



Sadiq Khan
Mayor of London

MAYOR OF LONDON

Rt Hon Chris Grayling MP
Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
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Our ref: MGLA070716-7462

Date: 13 SEP 2016



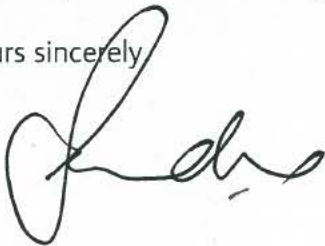
Crossrail 2 Programme Board

I received a letter from your predecessor in July about Crossrail 2 and the plans that our respective teams have recently put in place to ensure the further development of the project through the Crossrail 2 Programme Board. I am glad that since the letter was sent, all of the Independent Programme Board Members, including the Department for Transport's nominee Robert Jennings, have been appointed.

At its first meeting on 30 June the Programme Board agreed its Terms of Reference. This document should guide the work of the Board and so the remit of the Chair. The development of the Business Case, the Funding and Finance Strategy and the Housing Strategy will be key components of that remit and the Terms of Reference make specific mention of these alongside a more general requirement to 'make recommendations to the Mayor of London and the Secretary of State for Transport on matters regarding the development of Crossrail 2'.

The Programme Board also recommended that the Chair of the Board 'should agree with the Department for Transport and Transport for London the formal process for ratifying the Programme Board's recommendations'. I hope your department will be supportive of the Chair reaching agreement on this as quickly as possible, allowing us all to move forward with the necessary work to deliver a Hybrid Bill in 2019.

Yours sincerely



Sadiq Khan
Mayor of London



Department
for Transport

Rt Hon Sadiq Khan
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From the Secretary of State
The Rt. Hon. Chris Grayling

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Web site: www.gov.uk/dft

Our Ref: MC/172594
Your Ref: MGLA100816-1853

19 SEP 2016

Dear Sadiq,

I have been considering the proposals published by our predecessors for the potential devolution of suburban services to Transport for London.

In order to understand your proposals more closely, the Government would like to invite you to provide a business case for TfL to run services as proposed in the prospectus. Due to time pressures around the franchising programme, the Department will need to see your case by 14th October at the latest.

Within your business case, you should in particular address how such devolution will enable benefits to be delivered for all passengers. This case should also set out how you propose to manage trade-offs between inner and outer suburban markets and, where capacity is available for improved services, enable all passengers to benefit from that, not just those within the Greater London area.

Once I have received your business case, it will then be for the Government to consider what steps to take.

Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT



Department
for Transport

CC - [signature]

13 OCT 2015

From the Secretary of State
The Rt. Hon. Chris Grayling

Great Minster House
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Web site: www.gov.uk/dft

Our Ref: MC/174841

Sadiq Khan
Mayor of London
City Hall
London
SE1 2AA

10 October

[Signature]

Thank you for your letter of 30 August regarding HS2. I agree with you that HS2 is an incredible opportunity for London and I share your desire to maximise the opportunity that HS2 represents for London and the nation. Euston Station is a key part of this, and I am committed to ensuring that Euston is a world class gateway to London, supporting the wider development of the area.

Realising that vision and ensuring that Euston station is 'one station' that fully integrates the High Speed Two, Network Rail and London Underground stations, the potential Crossrail 2 station and local transport facilities will require all parties to work together effectively. I am happy, therefore, that my predecessor established the Euston Station Strategic Redevelopment Board (ESSRB) as the forum to oversee the necessary cooperative relationships.

The ESSRB is already providing focused leadership across a wide-range of work:

- Masterplanning work involving all parties, that is being coordinated by HS2 Ltd, with an initial Strategic Review phase this autumn;
- Initial feasibility work by Network Rail to examine proposals for the redevelopment of the conventional station;
- Joint work by TfL and Network Rail teams on the interface between the Network Rail station and the proposed Euston-St. Pancras Crossrail 2 station;

- Preparatory work by HS2 Ltd for the procurement of a development partner for Over Site Development (OSD);
- Work by LB Camden and the GLA on a Planning Brief in line with the Euston Area Plan.

Mitigating the impacts of construction on people living and working around the Euston area as fully as possible is a vital objective, in accordance with our obligations under the Environmental Minimum Requirements. As you note, a significant number of detailed assurances have been given on this as part of the hybrid Bill process, including on air quality and the transportation of material by rail. These issues have also been debated before the House of Lords Select Committee recently. HS2 Ltd is committed to working collaboratively with the London Borough of Camden on the issue of transport of material by rail, as this is an on-going work that will develop as the detailed design of the project at Euston progresses, particularly once we have contractors on board.


With regards to air quality monitoring, HS2 Ltd are already proposing to do more than Crossrail, which only monitors construction dust. HS2 Ltd have committed to monitoring not just construction dust but also nitrogen dioxide. Also unlike Crossrail HS2 Ltd have committed to working with the relevant London Boroughs to, as far as reasonably practicable, remove any air quality effects identified that are associated with HS2. While I agree that monitoring has a key role to play, it is even more important to avoid NOx and PM10 emissions to air in the first place. To this end, HS2 Ltd has committed to ensure that HGVs working on the scheme in London are EURO VI compliant from the outset, and that all HS2 contractor vehicles in London meet the Mayor's ULEZ criteria by 2020, whether they operate in the ULEZ or not. It has also set benchmark targets for 100% of cars and 75% of vans working on HS2 in London to be Ultra Low Emission Vehicles, with matching targets for CO₂ emissions. Its Non-Road Mobile Machinery emission standards will also outperform current Mayoral targets.

Like my predecessor, I too would like to see a comprehensive redevelopment of Euston. As you are aware Network Rail is developing its feasibility work on potential options for the redevelopment of the existing station, to ensure that despite the different timing of development for the high speed rail station and other parts we work can towards a common vision. In addition, work is progressing well to procure a development partner for over site development, to ensure that we get the best regeneration outcomes. These are both important building blocks for this comprehensive redevelopment.

I do not consider that terminating HS2 at Old Oak Common (OOC) is an appropriate option. There is a strong transport need for HS2 services to operate into Euston at the earliest opportunity. In addition, OOC will not have

the passenger handling capacity needed, plus many of the benefits of HS2 will be lost if people have to change one or more time from OOC via Crossrail, rather than the multiple underground connections they will have available to them at Euston.

I would be happy to have a first meeting of the High Level Forum to discuss strategic issues relating to HS2 and London. I believe that this meeting is best scheduled once we have completed the House of Lords Select Committee process. Please could your officials liaise with DfT policy officials to confirm the date of this?

with best wishes


Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT

MAYOR OF LONDON

Rt Hon Chris Grayling MP
Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Our ref: MGLA200916-6540

Your ref: MC/172594

Date:

13 OCT 2016

Azar Chris,

Business case for rail devolution

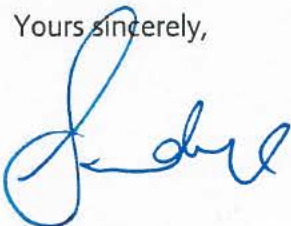
Please find enclosed a business case for rail devolution as you requested in your letter of 19 September 2016. It sets out the compelling rationale behind the proposals contained in the joint Department for Transport (DfT)/Transport for London (TfL) Prospectus published in January 2016 for the transfer from the DfT to TfL of selected inner suburban rail services. It takes the form of a general narrative as well as a formal technical "five-case" document, as requested by your officials.

The business case describes in detail the strategic, economic, financial, commercial and management cases, as required by HM Treasury, including how all passengers will benefit, not just those within Greater London. An important means to achieve this is the proposed DfT/TfL Partnership which I see bringing both markedly greater coordination to decision-making across the rail networks as well as the closer involvement of local government and LEPs to all parties' gain. There is also widespread public, business and cross-party support for this proposal, including from the London Assembly, MPs and local authorities both in and outside of London.

The team at TfL are of course available to answer questions on all of this, though I am sure you will be aware that much of this has previously been discussed at length with your officials. Please contact Gareth Powell, TfL's Director of Strategy, if you have any queries. He can be contacted by email at [REDACTED]@tfl.gov.uk or on 020 3054 [REDACTED]

I hope this provides the information for you to be able to authorise your officials to start work with TfL as soon as possible on the transfer of relevant Southeastern inner suburban passenger services. This will allow a timely transfer to occur when the existing rail franchise expires in 2018 and will enable the DfT and TfL to initiate their procurement processes for the successor train operators. I look forward to hearing from you.

Yours sincerely,



Sadiq Khan
Mayor of London

Date: 14 October 2016

Title: Rail devolution business case narrative

1 Summary

1.1 The purpose of this paper is to set out the case for further transfer of responsibility for the provision of some rail passenger services from the Department for Transport (DfT) to the Mayor and Transport for London (TfL).

Significant improvement in the quality of services for passengers

- 1.2 Further devolution of inner suburban rail services within London will deliver significant economic, financial and customer benefits by 2020 through:
- More reliable and better services for passengers, delivered through a concession contracting model where the provider of train services focuses purely on reliability and customer satisfaction
 - TfL's proven ability to work with Network Rail sharing resources between them and London Underground
 - Seamless and integrated fares, ticketing, branding and information for passengers across public transport services in London, which not only encourages more people to use public transport, but also reduces fare evasion
 - A greater ability to plan and deliver the cost effective provision of public transport and associated projects across all local services, including buses, walking and cycling
- 1.3 Taken together, one impact will be to generate additional demand and revenue. On the recently devolved West Anglia services this has increased 27 per cent since devolution in May 2015. TfL expects an increase of 14 per cent in southeast London. The additional revenue can itself be re-invested in service enhancements
- 1.4 The package has a quantified benefit cost ratio of 4.3 : 1, based on railway passenger benefits, which shows that this offers high value for money.

Accelerated housing development and local economic growth

1.5 Further unquantified longer-term benefits arise from the greater integration of transport and land-use planning to deliver urgently needed housing and wider economic growth for the region. This is through:

- A closer link between local rail services and the local communities they serve, leading to greater leverage of external funding for enhancements directly linking local railway developments to housing development and wider economic growth
- Long term investment by TfL and the GLA, outside of any one franchise period, working with local authorities and economic partnerships to kick start regeneration and create the transport conditions necessary to improve land value and development potential

1.6 The biggest impact of this proposal is in south London where there is the potential for 150,000 housing units, 80,000 of which are within 1km of a station that would be served by TfL's rail devolution proposals. 42,000 of these units are within 1km of a station served by the current Southeastern franchise. House building rates in south London, where rail services are poorer, are lower relative to the rest of the Capital.

Safeguarding and benefiting longer distance commuters and those outside the London boundary

- 1.7 Under these proposals TfL's role would be restricted to selected local passenger services within the London area or slightly beyond where railway geography requires. Passengers using longer distance services, which would remain the responsibility of the DfT as now, will be unaffected in terms of fares, train stopping patterns or relative priority of services. TfL would have no ability to alter their timetables, although TfL estimate there would be a beneficial knock-on reliability impact as a result of improvements to the reliability of local stopping services devolved to TfL.
- 1.8 As today, all infrastructure would remain the responsibility of Network Rail (NR), rail service timetables and relative priority for services sharing the same tracks would remain under NR management, regulated independently by the Office of Rail and Road (ORR).
- 1.9 A new Partnership would be established between TfL and the DfT, in order to enhance coordination between DfT- and TfL-sponsored services, provide a focus for all rail services across London and the South East region, enhance transparency of decision making and strengthen stakeholder relationships. It would also ensure accountability and proper decision-making for the very limited services TfL would be running which terminate outside London. Where matters are unresolved there, they could be escalated first to TfL Board members with special responsibility for out-boundary users, and if necessary to the Secretary of State and Mayor.
- 1.10 Benefits for passengers on longer distance services could include: knock-on improved reliability; harmonised fares, ticketing and customer service; a clearer market focus for their franchise operators; and opportunities for better alignment between rail investment local priorities for homes and jobs.

Financial neutrality for Government

- 1.11 This proposal is fiscally neutral to the Department for Transport, just as the transfer of West Anglia was in May 2015. Services would be split with revenues and costs falling where they are due. Any incremental costs associated with the splitting of the existing franchises or devolution generally would be met by TfL, to be recouped by additional passenger revenue from improved services, as has been observed on the London Overground and more recently devolved West Anglia railway services.

Widespread Public, Political and Stakeholder support

- 1.12 There is widespread public and political support for this proposal, as evidenced by the fact that 74 per cent of responses to the January 2016 Prospectus setting out these proposals were positive in principle (appendix 8 describes the feedback). Three neighbouring transport authorities wrote to the Secretary of State for Transport on 21 July 2016 asking for *“a clear timetable for the devolution process for each of the franchises affected in each of [their] respective counties”*.

2 Introduction

- 2.1 The Secretary of State for Transport has been considering the proposals set out in “A new approach to rail passenger services in London and the south-east” (the Prospectus), a document published jointly in January 2016 by the then Secretary of State and then Mayor of London. The Government has invited the Mayor to provide a business case in order to understand the proposals more closely. This document provides a narrative to this formal business case which is itself appended.

3 The proposal

- 3.1 The proposal set out in the Prospectus was to:
- Establish a Partnership between the DfT and TfL that will provide joined-up strategic direction for the specification and management of rail passenger services across London and the South East
 - Establish new mechanisms to enable LEPs and local authorities to input to the specification of these passenger services, providing a stronger voice for local people and helping to leverage local investment to drive growth
 - Set out three key principles for success for the Partnership’s work on the specification of future services in the South East region, namely:
 1. More frequent services, better interchanges and increased capacity – to support growth, carry more people and help address crowding

2. Greater reliability for all passengers – putting excellent performance at the heart of train operator contracts
 3. High standards of customer service – including more integrated information, fares and ticketing, as well as weekend and night services and a more accessible network
- Transfer responsibility from the DfT to TfL for inner suburban rail services that operate mostly or wholly within Greater London, as current franchises fall due for renewal. The DfT will continue to be responsible for outer suburban services. The Partnership will ensure that all the region's passengers benefit from a joined-up approach
- 3.2 This document makes the case for this set of proposals. In doing so, the map below shows the assumed geographic scope of the local stopping services that would transfer to TfL. As today, these would share tracks with longer distance services operating from central London termini.

Figure 1: Inner suburban routes contracted by TfL – now and future potential

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- 3.3 The detailed analysis appended to this document assumes that the transfer of the relevant southeast London inner services to TfL's operator will occur on 10 November 2018. For services to/from Waterloo, the 2017 refranchising date

will not allow sufficient lead time for a transfer to be planned and implemented. A date in late 2020 is assumed instead. For the relevant Southern and Great Northern services, the re-letting date and transfer date is September 2021. More detail on the proposals is shown in appendix 2.

- 3.4 The means to plan and implement these transfers is well understood, the DfT and TfL having undertaken the transfer of West Anglia services (both to London Overground and to 'TfL Rail' services, which will form the Elizabeth Line services in due course), only 18 months ago. Opportunities have been identified from lessons learnt to simplify further the process: more detail on this is shown in appendix 9.

4 The case for change

Working with Network Rail and our concessionaire to catalyse benefits in 2019

- 4.1 TfL would apply a similar concession model to transferring services it has used on London Overground since 2007 and on West Anglia and TfL Rail since 2015. This model has worked in practice to harness the strengths of train operators and Network Rail to significantly raise service quality.
- 4.2 Franchises that combine longer distance and suburban short distance travel markets, as DfT's London & South-East franchises do, tend to neglect the inner suburban services. This is because the longer-distance market has more discretionary trips, the average fare is higher and that sector is more commercially remunerative. Operating these two distinct groups of services under different contracts enables incentives to be better designed for the customer market they serve and thereby focuses management teams to deliver the best possible reliability and customer service. For example, requiring a minimum level of performance on all services and at all stations avoids pockets of poor performance being hidden, which can be the case when performance measures target broad averages across multiple services.
- 4.3 TfL uses the concession form of contract for its devolved rail services, as well as buses, DLR and trams, as it has proven to be as the most suitable for urban and suburban markets. In this contract TfL acts as the integrator – ultimately accountable for the passenger service and its development, station and train maintenance and medium term development. It is TfL's brand on the service, TfL fares, TfL customer service standards and TfL revenue. The role of the passenger train service operator is focused purely on the provision of a reliable train service and high levels of customer service through employment of train and station staff, and management of the performance of the overall service. This type of focused contract has proven most effective because private sector operators find it difficult to manage cost effectively the macro-economic risks such as central London employment that dominate demand in this type of market.
- 4.4 This type of contract also allows TfL to spread that risk across the services it runs, and ensure each is complementary to the other, rather than in competition. This leads to a greater degree of integration between different

public transport services, each focused on a specific type of customer journey, demand and local development. This requires considerable operational knowledge, which TfL has in depth as a result of the breadth of the organisation including the direct operation of the London Underground system. Sharing branding and mapping adds substantial value as well – the TfL roundel and associated iconography has very high levels of awareness. The current operators of nationally-managed franchises cannot integrate their services with the rest of the London public transport network in this way, as their franchises are separate to other forms of local transport, and the operator therefore tends to compete.

- 4.5 TfL has the required skills, knowledge and experience in depth to make the most of the concession type of contract. For example, its role as operator of London Underground (LU) gives it a deep operational understanding of the many often individually modest means to markedly drive up reliability. It has developed best practice in dealing with customer illness, crowd control, optimising timetable run-times, deterring vandalism, avoiding signal failure and fleet maintenance – all of which cumulatively lead to increased system reliability. This knowledge allows it to be an effective intelligent client for its rail concessions. TfL is also uniquely placed to be an integrator that joins up all the various organisations required to run a reliable service, such as the rolling stock provider and maintainer, Network Rail as an infrastructure manager, and its private sector operator. This is exactly the role it plays with London Overground, DLR and London Trams, reflected in various incentives and penalties in its contractual arrangements. In this way the otherwise fragmented and disjointed set of incentives and payment flows are aligned, and the customer is out at the fore-front of all delivery arrangements. Whether an issue arises from Network Rail infrastructure, train, or station assets, staffing, weather, customer illness or any other myriad of issues the accountability remains with TfL, backed up by its contractual arrangements with all parties. The mantra is ‘it might not be by fault but it is my problem’, with a focus above all else on customer service.
- 4.6 There are also commercial benefits to the DfT and the rail industry from further devolution. As the ridership and revenue has grown across the national railway since privatisation, so has the financial size of large integrated franchises. This in turn has led to an increased risk profile and associated shareholder bonding. Recent DfT competitions have seen a reduced number of bidders, with the latest SWT franchise only having two bidders including the incumbent. Separating these large franchises into two, focusing on the customer market they serve, will reduce the risk profile of each, leading to greater competition. TfL believes that a larger number of smaller contracts will make the market more contestable and competitive, leading in the longer-term to lower margins. In each of the TfL concession contracts that have been put to market recently there have been 4 or more bidders, including all major owning groups active in the UK market, and 2 new entrants. TfL keeping revenue risk rather than transferring it to the operator also offers savings, as the private sector is poorly placed to manage macro-economic risks such as central London employment by which demand and revenue is largely driven. Our evidence is that margins will reduce by two percentage points.

4.7 Devolution also has the potential to reduce the cost of delivering rail projects. The nature of TfL's concession contracts mean it can work with Network Rail to reduce the level of risk and margin that the Train Operating Companies charge, given the impact of works on demand and revenue. This is exactly what happened for example on Gospel Oak – Barking electrification; the revenue compensation due from Network Rail to the operator, and added to the cost of the project, would have been £6m by the standard formula. But TfL agreed just £2m as it could net off the displacement to other TfL services such as buses and LU. This is particularly relevant to possible future large scale projects such as the Digital Railway and Crossrail 2. For example in the case of the latter under devolution proposals TfL would become the majority operator at Wimbledon during the construction period, a station set to undergo significant infrastructure modification. Coordination of works, and associated financial risks, would be wholly between public sector partners. The potential scale of such savings is difficult to assess, so it has not been included in the quantitative analysis, however evidence from the recent London Bridge works shows how difficult it can be to maintain customer service when multiple parties in the private and public sector have potentially competing objectives.

Benefiting passengers by 2020

4.8 Given experience set out above, TfL believes passengers will benefit from further devolution. For example, TfL anticipate greater reliability (three percentage points on the public performance measure, five points on the 'right time' measure), reduced fares evasion (four percentage points), all-day staffing thus enabling turn-up-and-go mobility assistance (rather than booking 24 hours ahead), and integrated fares and information. As a result of a similar package of interventions, passenger journeys rose 27 per cent year on year on West Anglia, and TfL expects 14 per cent growth on Southeastern inners.

4.9 Specific enhancements TfL would look to introduce would include:

- Enhanced station staffing, to provide better assistance and a more secure travel environment to all customers, as well as, in particular, guaranteeing a turn-up-and-go service and lifts in operation to customers who need assistance to board the train, rather than them having to book ahead
- Integration into TfL's fares and ticketing structures, ending the situation where customers pay a different fare depending on which operator's service they travel on
- Actions to cut delays and improve reliability as recorded by the Public Performance Measure by three percentage points and right time arrivals by five percentage points, as we have done on LU where delay has fallen by over 50 per cent in the last decade, even on lines such as the Piccadilly, Central and Bakerloo which have not enjoyed major capital investment in rolling stock or signalling
- Full integration into TfL's multi-modal real-time information processes and products, providing accurate, live, joined-up travel advice for customers

- Additional services to increase train frequencies at times of day when there is spare track capacity (for example in the evenings or on Sundays)
- Measures to improve ticket retailing and reduce fare evasion by four percentage points, including provisions of more and improved ticket machines and the installation of ticket gates at more stations
- Station deep cleans and enhancement of station facilities and rolling stock refurbishment delivering improved internal and external appearance

4.10 TfL has good evidence that a very similar package leads to excellent outcomes. This has been applied not only to the classic London Overground (devolved in 2007), but more recently West Anglia (devolved in May 2015). On both occasions, TfL has seen customer satisfaction, reliability and demand rise. The West Anglia improvements are shown in the table below and have been delivered using the same infrastructure and trains inherited from the previous operator. More detail on performance outcomes is provided in appendix 3.

Table 1: Impact of devolution on West Anglia services

Performance measure	P12 2014/15 – P2 2015/16	P12 2015/16 – P2 2016/17	Change
Overall customer satisfaction ¹	74%	77%	3 point increase
Selected specific measures:			
- Satisfaction with station staff availability	40%	83%	43 point increase
- Satisfaction with station cleanliness	49%	81%	32 point increase
- Satisfaction with information about train times	63%	78%	15 point increase
Delayed trains ²	4.8%	4.0%	15% reduction
Fare evasion ³	14.5%	2.1%	86% reduction
Passenger journeys ⁴	9m	11m	27% increase

¹ As measured by the Transport Focus National Rail Passenger Survey, comparing spring 2015 to spring 2016.

² The percentage of trains that arrived at their final destination more than five minutes after the scheduled time. These figures are calculated from the rail industry standard Public Performance Measure.

³ Data from before the transfer to TfL is from a one-off survey conducted in January 2015. TfL has now implemented quarterly ticketless travel monitoring; the figure from after TfL took over is the average of Q4 2015/16 and Q1 2016/17.

⁴ Passenger journey figures are for the periods specified only. For comparison, the total journeys recorded in 2015/16 were 33m. Journey figures are measured by the ticketing system: the strong growth seen is due partly to the reduction in ticketless travel, partly to actual growth in demand, and

4.11 The overall package for Southeastern has a benefit cost ratio of 4.3 : 1, which shows that it offers high value for money. The formal technical five-case business model has more detail which is attached as appendix 1. This sets out:

- The Strategic Case, that is how the proposal to transfer contracting authority for southeast London inner services from DfT to TfL fits national, regional and local policies
- The Economic Case, that is that the proposal optimises public value to the UK as a whole
- The Commercial Case, which demonstrates that the proposal results in a viable procurement
- The Financial Case, which shows that the proposal results in a fundable and affordable outcome
- The Management Case, which illustrates that the proposal is capable of being delivered successfully in accordance with recognised best practice

Medium-term: Integrating rail and land-use planning to accommodate demand and boost house building

4.12 London's population at 8.6 million is at a record high and is expected to continue to grow to over 10 million by the 2030s. As a result, transport demand is growing too, notably public transport, journeys on which have increased by 14 per cent in the last five years. TfL estimates that by 2050, demand for National Rail services could increase by as much as 80 per cent⁵. Without investment to accommodate demand, the outcome will be increased overcrowding, poor service reliability and traffic congestion, with the additional costs for businesses, constraining economic growth and London's position as one of the world's most competitive cities.

4.13 This rapid rate of population growth means that London and the South East also have a pressing need for more housing. Household projections released by the Department of Communities and Local Government in July 2016⁶ suggest that the number of households will grow by over 91,000 per annum in London and the South East over the next 25 years, with 55,000 additional households in London alone. However, the annual rate of housing delivery since 2001⁷ has been less than half the level required in London, and just 60 per cent that required in London and the South East. The scale of both the housing delivery challenge and the ever increasing demand for rail transport

partly to improvements in reporting methodology. Background passenger demand growth across all train operators in London and the South East is currently running at around 5 per cent year on year.

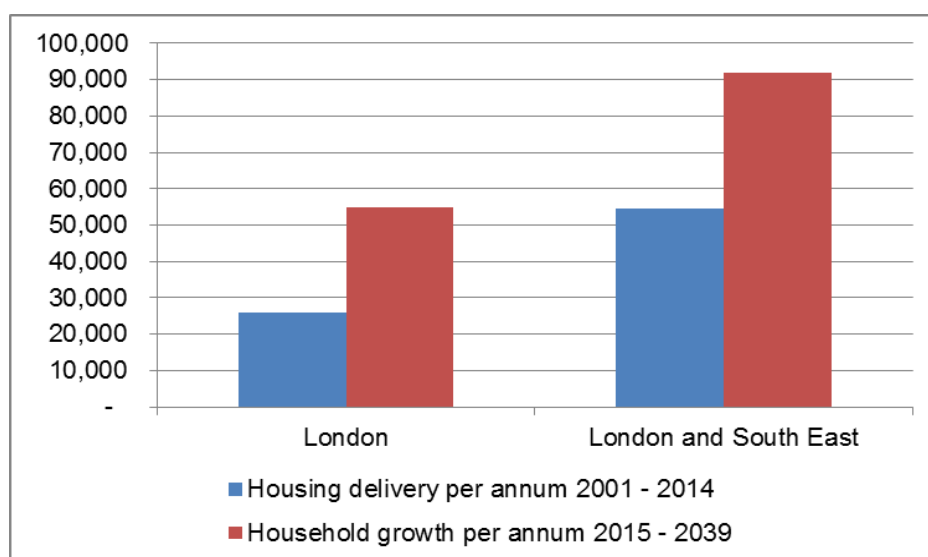
⁵ London Infrastructure Plan

⁶ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>

⁷ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

requires ever closer integration between transport and land-use planning to support growth.

Figure 2: The rate of housing delivery is well behind household growth



- 4.14 London and the South East’s housing shortage is now starting to constrain its economy and by extension that of the UK as a whole. DCLG’s *single departmental plan* has as its first objective “driving up housing supply” with an ambition to “deliver one million new homes over the next five years”.
- 4.15 The insufficient levels of housing delivery across London and the South East of England is a root cause in rapid increases in prices and worsening affordability, restricting the attractiveness of London as a place to live and limiting the potential labour market for businesses. Gavin Barwell, Minister for Housing and Planning, noted in a speech on 22 September 2016 that the UK “[hadn’t] built enough homes for a very, very long time” and “as a London MP, [he] sees the consequences of this failure every week in [his] surgeries”.
- 4.16 The London Housing Strategy is clear that a shortage of suitable homes for London’s workforce is just as great a barrier to growth as an underperforming transport network⁸. This view is also reflected in business surveys. A recent London First report notes that, “*Housing is the fastest rising concern for businesses, and today 73% of London’s businesses think London’s housing supply and costs are a significant risk to the capital’s economic growth.*”⁹
- 4.17 The strategy for delivering housing growth requires London and the South East to maximise opportunities within existing urban areas, particularly around stations. However this relies on an adequate quality of rail services to make the location attractive. This in turn requires close integration between transport provision and land-use policy, which in south London is inadequate. If London is to meet its housing need, it will need all parts of the Capital to

⁸ Mayor of London. Homes for London. The London Housing Strategy. June 2014.

⁹ “London 2036: an agenda for jobs and growth,” London First & London Enterprise Panel, November 2014.

contribute. But, partly as a result of poorer levels of transport provision, levels of population and housing growth in outer south London, which currently rely on National Rail instead of TfL-operated services, have been half that compared to the rest of the city¹⁰.

Figure 3: Population and housing growth has been much lower in outer south London where TfL services are less extensive



- 4.18 Nonetheless, there is significant capacity to accommodate housing growth in south London if transport constraints can be addressed. The 2013 Strategic Housing Land Availability Assessment (SHLAA), which informed the housing strategy in the London Plan, identified the potential for 150,000 housing units in South London, 80,000 of which are within 1km of a station that would be served by TfL’s rail devolution proposals. 42,000 of these units are within 1km of a station served by the current Southeastern franchise.
- 4.19 In addition, the London Plan identifies capacity for some 40,000 jobs in eight opportunity areas (Charlton, Woolwich, Thamesmead, Erith, Belvedere, Kidbrooke, Lewisham and Catford). Beyond London there are significant opportunities for further housing growth in North Kent, with planning permission already granted for over 11,000 homes at Ebbsfleet.
- 4.20 Boroughs in southeast London have also identified the potential for even more housing since the publication of the London Plan. For example, the London Borough of Bexley has identified the potential for 22,000 new homes and 10,000 jobs, most of which would be centred around Belvedere and Erith stations.¹¹
- 4.21 However, local authorities are clear that the current transport network is insufficient to support the potential levels of growth identified. Housing delivery in Bexley will need to increase from the current levels of 350 units per annum (2001 – 2014), to over 1,000 units per annum if they are to deliver their growth

¹⁰ TfL analysis of ONS mid-year population estimates and DCLG live tables on dwelling stock estimates

¹¹ Bexley Growth Strategy, LB Bexley

aspirations. The London Borough of Bexley makes clear that growth is dependent on 'investment in land and infrastructure'¹². In their submissions to the Outer London Commission, Kingston, Sutton and Croydon Councils agreed that 'poor transport infrastructure seriously limits the scope for growth in the sub-region'¹³

- 4.22 It is not just that transport is insufficient to support growth, but also the degree of coordination between transport and planning decisions that is inadequate. Transport and land-use decisions are made by quite different agencies, one by the DfT in central government and the other devolved to GLA and London Boroughs. As a result, rail transport is inadequately integrated into the wider planning process.
- 4.23 Devolution of suburban rail services would enable transport and housing planners to work more closely to support housing growth. TfL would in time be able to optimise peak frequencies and provide additional capacity to support population and employment growth. It is this combination of improved service quality and integration with planning policies that is key to increasing housing delivery. This is demonstrated by the fact that the places in southeast London which have grown most rapidly are those which have been supported by TfL's transport investment. The 5,000 new homes completed within 1km of Woolwich in the last 9 years are a result of TfL's investment in the DLR extension and Crossrail. The 15,000 homes being developed at the Greenwich Peninsula are only possible because of the Jubilee line's upgrade. The same process is about to happen as a result of the Barking Riverside extension opening up land for 10,000 homes.
- 4.24 However, even without any significant changes in the level of peak service, devolution allows TfL to make more immediate changes to service quality which can lead to places becoming more attractive for housing development. For example, on the line between Euston and Watford Junction, on average there were 475 housing units delivered per year (between 2004 and 2007) within 1 km of a station. Since TfL took over the operation of the line, the average has increased to 725 units per year.
- 4.25 Appendix 4 contains more detail on how the proposal can affect house-building.

Longer-term benefits: Integrating services to boost the region's economy

- 4.26 Given the transport and housing challenges London faces, TfL would seek to further improve the functionality of suburban services, particularly in South London, to create a more metro-style customer experience, similar to that on LU and London Overground.
- 4.27 The suburban rail network in south London provides excellent geographical coverage in many areas but frequencies are low compared to other modes such as LU, DLR and trams, journey times are relatively long, service patterns

¹² *ibid*

¹³ https://www.london.gov.uk/sites/default/files/south_london_partnership_submission.pdf

are complex and many trains are heavily crowded at peak times. The concept of "metroisation" would not only improve the track, junctions and signalling to increase capacity over time, but also introduce best practice in rolling stock design in the form of wider doors, more circulation space around door, and better acceleration and braking. Timetabling would be estimated to the second, rather than rounded to the near half minute as is current practice, and freight paths moved to off-peak periods where possible. This combination, along with more active dispatch staff, would enable reduced station dwell times, faster journey times and increased train frequencies.

4.28 TfL is well placed to deliver enhancements such as metroisation because it can:

- Prioritise resources across all its networks, leading to better alignment of overall multi-modal transport decision-making
- Align its transport planning with the GLA and Borough land-use planning more effectively as described in the previous section
- See a direct return to the local economies from better railways, and invest in local railways, even though they are not the most commercially remunerative
- Leverage funding from third party sources with the help of the GLA and the London Boroughs, as it has with schemes such as the Hackney Interchange between London Overground and the West Anglia routes

4.29 In contrast, even fairly modest metroisation is proving harder to do elsewhere in London where such coordination is poorer. For example, various public sector bodies (London LEP, the London Borough of Haringey, the London Borough of Enfield, TfL) have contributed over £50m for additional infrastructure between Stratford, Tottenham and Angel Road in north-east London in order to catalyse the planned 10,000 new homes at Meridian Water for which the London Borough of Enfield has spent £70m assembling land and has selected a development partner. However, at the time of writing, it does not look like the new franchise will specify an adequate 15 minute interval train service. This situation simply would not happen if TfL was responsible for the train service as it would specify the service tightly and ensure the benefits were delivered.

4.30 Devolution therefore allows TfL to get more out of existing rail assets. Being the contracting authority gives TfL a mandate to promote schemes required to metroise the network in a way that it simply does not otherwise. Furthermore it gives TfL and its close collaborators in the London Boroughs means to earn a return on its investment, be it a transport return or in terms of regeneration. This is obviously most significant in south London where the National Rail network predominates and LU coverage is limited. Metroisation is also scalable and modular insofar as it is possible to successively add functionality over the years steadily increasing frequency and capacity and reducing journey times until its capability is finally optimised. All this can be done at a

lesser cost than wholly new lines, an intervention which can be restricted to occasions where there are acute capacity constraints and/or the need to unlock very large scale development opportunities (as is the case with Crossrail 2).

- 4.31 TfL is adopting an analogous approach to make most of the LU network. This can be demonstrated on the Victoria line where TfL has increased capacity by around 25 per cent during peak periods by exploiting the opportunity presented by life expired signalling and trains to achieve a 34 trains per hour service. Subsequently, TfL is further optimising infrastructure usage and operations having gained experience in the last two years to deliver from May 2017 an even greater frequency of 36 trains per hour during peak periods. TfL is also adopting the same approach with its London Overground North London line services where it has already increased capacity by 25 per cent subsequent to the 2011 upgrade through longer trains and will increase frequency by a further 25 per cent in May 2018.
- 4.32 In the context of south central London, some example schemes that contribute towards the overall objective of increased capability through metroisation could include:
- Re-doubling the track from Sutton to Belmont and restoring the second platform at Belmont station to enable a quarter hourly service. The additional services support LB Sutton's plans for regeneration of the Belmont area with its proposed London Cancer Hub facility and its potential for 13,000 jobs
 - Additional reversing facilities at Wallington and Cheam to relieve capacity constraints imposed by the need to reverse trains at West Croydon and Sutton
 - Redevelopment of West Croydon station to create better integration with other modes and the ongoing redevelopment of Croydon town centre
 - Creation of a new interchange at Streatham to provide new journey opportunities for travellers going to different parts of central London
- 4.33 For southeast London, this could include:
- Track enhancements in the Dartford area to relieve capacity constraints currently imposed by reversing services at this location
 - Provision of longer loops between Kent House and Penge East to relieve capacity constraints alongside this section of route
 - Enhanced interchange capacity and facilities at Lewisham station to facilitate simpler service patterns and consequential increases in frequency and capacity

- Provision of a new interchange facility at Brockley between Southeastern, Southern and London Overground services to enhance network flexibility and the additional journey opportunities this provides
- 4.34 All these contribute towards a strategy of metroisation that builds on TfL's proven track record for creating additional capacity in a cost effective manner by making better use of existing infrastructure. Appendix 5 provides further detail.

5 Working with our partners

Safeguarding and benefitting longer distance rail services

- 5.1 The proposal for a new DfT-TfL Partnership set out in the Prospectus will create a new strategic channel of communication in which decisions by one party that may affect the other's passenger services can be coordinated and indeed challenged where necessary. The Partnership would include a formal role for local authorities from both Greater London and the rest of South East England, giving a strong voice for local priorities from across the whole region.
- 5.2 The Prospectus committed TfL to ensuring that there would be no adverse impacts on the frequency, journey times or stopping patterns of longer distance services to and from London. Extra capacity on peak local London services would only be added if there is no negative impact on longer distance services.
- 5.3 Network Rail in its independent role as infrastructure manager and system integrator will remain responsible for allocating train paths and planning the timetable in accordance with industry practice (specifically the Network Code); this process is regulated by the Office of Rail and Road to which there is the right of appeal.
- 5.4 For Southeastern, an exchange of letters between the Mayor of London and the Leader of Kent County Council of 22 October 2015 has confirmed the latter's acceptance of TfL's assurances, and support for the transfer of suburban services to TfL. A subsequent joint letter of 21 July 2016 from the leaders of Kent, Hertfordshire and Surrey county councils reconfirms support. Other letters of support are attached in appendix 10.
- 5.5 The Mayor, and the London Assembly in its scrutiny role, both provide clear accountability for transport services, and are incentivised to ensure high quality public transport. And the Secretary of State for Transport in any case will retain the reserve power to strip the Mayor of devolved services if TfL is not meeting its obligations.
- 5.6 The services suitable for transfer to TfL would be 'stopping' suburban services that mainly terminate inside the London boundary (such as at Orpington and Hayes, and services via the curve at Slade Green, in the case of southeast London) or just beyond it (such as at Sevenoaks, Dartford and Gravesend). In practice these principally serve passengers making local journeys in Greater London: in the example above over 96 per cent of passengers that use the

services proposed for devolution have origins and destinations wholly within Greater London. Passengers from Gravesend and Sevenoaks overwhelmingly use the faster longer-distance services, which would continue to be the responsibility of the DfT, and would continue to do so. Operations at these two stations would also remain with the longer-distance operator as it has the majority of train services there. This is no different to the existing situation at Watford Junction and Shenfield, where TfL contracted services terminate at important towns on the edge of the urban area, though most passengers in practice use the faster longer-distance services also available at both. Both local transport authorities, Hertfordshire and Essex respectively, are content with this.

- 5.7 Following devolution in 2015, there are robust working and contractual arrangements in place at Liverpool Street and on the shared lines to ensure that all operators work effectively together. This will apply equally to operations on future devolved routes where TfL's operator will share at least some infrastructure with the DfT's franchisee.
- 5.8 It is anticipated that a range of other benefits will arise for longer distance services as a result of devolution of metro services and the establishment of the proposed TfL-DfT Partnership. These are covered in more detail in appendix 6 and include:
- More reliable longer distance services, as TfL's measures to improve the performance of inner suburban services have a knock on impact and fewer delays on metro trains means they hold up longer distance trains less too. TfL estimates that every 1 per cent improvement in the reliability of inner suburban services will have a small positive impact (0.12 per cent) on Southeastern longer distance services, other things being equal. In respect of the 2015 devolution the reliability of Abellio Greater Anglia services has been stable since the transfer, outperforming the London and the South East average, which has declined
 - A clearer market focus for the residual longer distance franchises, enabling their operators to focus fully on the needs of their longer distance passengers
 - Benefits to customers in areas such as harmonised fares, ticketing and customer service standards, resulting from the work in these areas progressed by the Partnership which could apply to services both inside and outside London
 - An opportunity for better alignment of rail investment and land use planning (as explained in section 4 above with respect to London) given the enhanced mechanisms the Partnership will provide for local authorities to influence rail investment priorities for the South East
 - The possibility of opportunities for some improvements to journey times, as explained in the Rail Action Plan for Kent

Ensuring it is fiscally neutral for DfT

- 5.9 A condition of transfer of the London Overground network in 2007 and the West Anglia routes in 2015 was that the impact was financially neutral to the DfT, including the costs of transition. In practice this was achieved through a funding agreement between the DfT and TfL and subsequent negotiation and agreement to a “terms of transfer”, which was informed by detailed work streams that identified the revenues and costs separately of the re-mapped passenger services. TfL propose to apply this precedent, that is use the very similar methodology, and the business case therefore contains no cost to DfT. Further detail is available in appendix 7.

6 Conclusions and next steps

- 6.1 This document and its technical annex provides all the compelling evidence required to demonstrate that rail devolution is the right way forward. TfL therefore believe the next steps are:
- For the Secretary of State to provide, within the necessary timescales, a letter expressing his intention to devolve suburban rail services in southeast London – which would enable the DfT to work with TfL on the detailed arrangements for devolution and enable TfL to initiate the procurement of an operating concession
 - For TfL and the DfT to enter into a Partnership to provide strategic direction for all passenger rail services in London and the South East, including enhanced mechanisms for local authorities and Local Enterprise Partnerships to input

List of appendices to this report:

- Appendix 1 – Five case business case
- Appendix 2 – Further detail on the proposal
- Appendix 3 – Evidence on performance impacts
- Appendix 4 – Rail devolution and its role in meeting London’s housing challenge
- Appendix 5 – The metroisation concept
- Appendix 6 – More detail on the nature of benefits to all passengers
- Appendix 7 – Mechanism of separation and keeping DfT financially neutral
- Appendix 8 – The Prospectus: summary of engagement responses
- Appendix 9 – Lessons learnt from West Anglia transfer
- Appendix 10 – Letters of support

List of Background Papers:

The Prospectus (‘A new approach to rail passenger services in London and the South East: Working in partnership to improve services and support growth’)

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**Transfer of contracting authority
for Southeastern inner suburban
rail services**

Full Business Case Summary

Tables

October 2016

Scheme Name	Transfer of contracting authority for Southeastern inner suburban rail services	Date	October 2016
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Case for change

Problem identification

[What are the problems the scheme is trying to address?]:

The rail services provided on the National Rail network in South London are almost entirely provided by franchised TOCs under the control of the DfT rather than the Mayor and TfL, despite their importance to the transport system in the capital. This approach means that these services and the infrastructure they operate over is not reaching its full potential, either in terms of the quality of service delivered or its ability to support the continuing growth of the London economy. In particular the infrastructure provided is not being optimised to deliver the additional capacity required to support the additional housing and economic activity that London requires both to maintain its prosperity and to continue its growth. This is in stark contrast to the situation in London's main international competitors (including New York and Hong Kong) where additional housing is being provided on a much greater scale, threatening London's competitive position in the global economy.

This situation can be addressed by transferring control over rail services that operate primarily in south London to the control of the Mayor and TfL (focusing initially on Southeastern), enabling a new approach to the enhancements of capacity and service quality that will deliver the true potential of the networks concerned. Much transport related decision making in London is already under the control of the Mayor and TfL; the transfer of control over Southeastern rail services to the Mayor would represent a natural progression of an established approach that has undoubtedly been successful on London Overground (including West Anglia) and TfL Rail, delivering improved service quality and additional capacity.

Existing arrangements

[Explain what existing arrangements are, and why these are insufficient to solve the problem]:

Currently, the majority of inner London suburban rail services are operated by franchised TOCs (including Southeastern) as part of larger franchises including long-distance services. The primary method of incentivising these operators is through revenue. This is suboptimal for passengers using services that operate primarily in the London area because the revenue generated by these services is relatively low so the incentive for improvement is less, leading to a focus on more remunerative outer suburban services. It is also wasteful in the context of inner suburban services where bodies such as TfL are better placed to manage risks to revenue which arise chiefly from adverse economic circumstances. TfL's concessioning approach addresses this problem by removing revenue risk from the operator and instead incentivising them to deliver through compliance with a series of customer focused metrics which reflect customer priorities for service quality and ensure appropriate levels of revenue protection and ticket retailing activity. These metrics are generally applied at a disaggregate level to ensure that good performance is achieved on a uniform basis, rather than working off broad averages which can hide pockets of poor performance. This approach also ensures that the local economic benefits of improved rail services are given due recognition (for example supporting new housing) which does not normally happen when planning activity is undertaken on a more remote basis. It also reduces the risk level inherent in the contract for the operator, reducing the cost of bids received for the operation. TfL's approach has been proven to deliver a greatly improved quality of service where the model has been applied, with good results being apparent prior to major investment in infrastructure to improve service levels. Indeed, the operator of TfL's London Overground concession (LOROL) has just won the Passenger Operator of the Year award at the 2016 National Rail awards which demonstrates the success of this operation and TfL's approach.

Investment aims

[List the objectives of scheme, and how they will be achieved]:

The proposition for Southeastern would deliver a wide variety of improvements for customers derived from investment and improved management practice. These are summarised below:

- The achievement in the medium to long term of a better linkage between rail investment and the economic needs of London;

- A better travel experience for customers suffering from impairments, with staff available at all times throughout the day to assist them with their journey, ensuring that they do not have to pre book assistance. This approach increases the confidence of this group in the transport system, encouraging them to make use of it to access work and social opportunities, enriching their lives whilst also benefiting the economy;
- Improved station facilities and ambience to provide a better travel environment and reduce fear of crime;
- Enhanced levels of station staffing throughout the period when services operate to enable the delivery of higher levels of customer service together with a more secure travel environment;
- Improved train ambience;
- Improved operational performance and reliability for inner suburban services which will also improve the performance of longer distance services. TfL's performance regime will encourage a stronger focus on the root causes of poor performance amongst all the parties involved which will work to the advantage of customers using both inner suburban and outer suburban services;
- Increased off peak service levels at times when there is spare capacity, for example on Sundays;
- Lower levels of fraudulent travel, driven by measures to improve ticket retailing through the provision of more and improved ticket machines as well as measures to actively combat fraudulent travel, potentially through the installation of more ticket gates and better use of existing facilities;
- Full integration into TfL's fares and ticketing structures, ensuring consistency of the fare paid by customers for public transport trips;
- Full integration into TfL's multi modal information systems, providing accurate and joined up travel advice for customers.

TfL plans that the cost of the transfer and the associated improvements will be funded by (a) moving to a gross-cost contract where TfL takes the revenue risk, (b) reducing fare evasion and generating more revenue from improved service quality and (c) cross-subsidy from the wider TfL budget. TfL considers that the approach proposed is suitable for application to all inner suburban services operating in the London area within the following franchises: Southeastern, Southern, South West Trains and GTR (Great Northern). Control over these can be transferred to TfL on a progressive basis as the relevant franchises are renewed. Southeastern has been prioritised because it is the first franchise to be renewed within a timescale where a transfer of control is practicable as part of the refranchising process. A transfer of control can also be achieved during the course of a franchise if appropriate, as demonstrated by the recent incorporation of the West Anglia routes into the Overground during the course of the Greater Anglia franchise.

Strategic fit Economy

[Outline the scheme's contribution to economic growth]:

TfL has developed separate proposals to increase service levels and capacity on the Southeastern and Southern networks through Metroisation; these will have a significant economic impact and could be enacted following the transfer of control over the services to TfL. Indeed, the transfer of these services would give such proposals a much greater impetus by giving TfL a direct stake in the rail operations concerned, accelerating the delivery of the additional housing and jobs that London requires to maintain its economic performance. It is doubtful that Metroisation could be delivered without such a transfer of control as it would be hard for TfL to persuade the key stakeholders concerned to make the significant changes and investments required with the status of a party that is only consulted on rail investment and franchising decisions. It is also highly unlikely that TfL would be able to contribute financially to such changes if TfL did not have direct control over the outcomes of such investment, given the scale of funding that is required. Metroisation will not be to the detriment of outer suburban services which are vital to the functioning of the capital's economy; indeed it (together with TfL's intensive approach to the management of service reliability) has the potential to improve the performance of these services.

The concept of Metroisation would implement improvements to track, junctions, signalling and rolling stock to increase capacity and reduce journey times, helping to unlock the potential of the rail network in south London and enabling the delivery of additional homes and jobs. Currently this potential is constrained by the relatively low frequencies and capacity offered by the National Rail network which Metroisation would address.

London's housing shortage is now starting to constrain its economy and by extension that of the UK as a whole. The Department for Communities and Local Government's (DCLG's) single departmental plan has as its first objective as "driving up housing supply" with an ambition to "deliver one million new homes over the next five years". It also requires local plans for each area, with the London Plan identifying the need for 49,000 housing units per year to accommodate forecast levels of population growth. This contrasts with a house building rate consistently in the range 15,000 - 25,000 per year. This is a root cause of the rapid increases in property prices observed in London and worsening affordability, restricting the attractiveness of London as a place to live and limiting the potential labour market for businesses. Gavin Barwell, Minister for Housing and Planning, noted in a speech on 22 September 2016 that the UK "[hadn't] built enough homes for a very, very long time" and "as a London MP, [he] sees the consequences of this failure every week in [his] surgeries". A key priority for the next revision of the London Plan will therefore be to identify sites suitable for new housing development, particularly in outer south London where the current density of housing development is low.

The requirement for additional housing is particularly pertinent in the case of Southeastern as considerable development is planned to take place within the catchment of the proposed concession that Metroisation would help to facilitate, alongside other transport projects. The London Plan identifies the potential capacity for some 40,000 jobs and 42,000 homes in eight opportunity areas and housing zones in south east London (Charlton, Woolwich, Thamesmead, Erith, Belvedere, Kidbrooke, Lewisham and Catford) as well as up to 15,000 homes at Ebbsfleet. Since the London Plan was published, Boroughs in south east London have increased their growth aspirations. In particular, Bexley have identified the potential for 22,000 new homes and 10,000 new jobs in the north of the Borough. These plans cannot be realised without the significant investment in transport infrastructure that Metroisation would provide.

TfL has demonstrated previously that it can deliver projects that successfully create additional capacity by making the best use of existing rail infrastructure, leveraging funds from other sources. The Gospel Oak to Barking route provides an excellent example of this. TfL successfully lobbied for electrification of this route (contributing £90 million to the cost of this and associated activities), enabling the doubling of train service capacity whilst also improving the capability of the line for other operators, notably freight. The capacity offered by Overground services on the West London Line services has been more than doubled through a judicious combination of train and platform lengthening plus the provision of a new reversing facility at Willesden Junction, supporting major developments along this route including those at Shepherd's Bush and Earls Court. TfL worked effectively with Network Rail to jointly fund these enhancements.

TfL's ability to make the best possible use of existing infrastructure in an effective manner has also been shown on the Underground network. This can be demonstrated on the Victoria line where TfL has increased capacity by c25% during peak periods by exploiting the opportunity presented by life expired signalling and trains, combining replacement of these with small scale investment in terminal reversing facilities and changed operational practices to deliver an ultra high frequency service of 36 trains per hour throughout the line during peak periods.

Metroisation builds on TfL's existing reputation for creating additional capacity in a cost effective manner by making better use of existing infrastructure, limiting the need for investment in the creation of new routes to where this is strictly required to relieve acute capacity constraints and unlock major development opportunities (as is the case with Crossrail 2). In the context of Southeastern the relatively small scale investments that could be pursued include:

- Track enhancements in the Dartford area to relieve capacity constraints currently imposed by reversing services at this location;
- Provision of longer loops between Kent House and Penge East to relieve capacity constraints alongside this section of route;
- Enhanced interchange capacity and facilities at Lewisham station to facilitate greater segregation of services and consequential increases to capacity and improvements to frequency;
- Provision of a new interchange facility at Brockley between Southeastern, Southern and London Overground services to enhance network flexibility and provide additional journey opportunities.

TfL's ability to integrate transport improvements with development has already benefitted various locations in south east London. Nine thousand new homes have been delivered in Woolwich as a result of investment in a DLR extension, as well as Crossrail. The 15,000 homes being developed at the Greenwich Peninsula are only possible because of TfL's investment in the Jubilee Line at North Greenwich, and the 10,000 homes at Lewisham have been supported by the DLR extension to the town centre, providing a new direct link with employment centre of Canary Wharf. The adoption of the Metroisation approach on the Southeastern rail network would build on this success.

Carbon			
Carbon impact (tCO ₂ e) for budget period	2013-2017	2018-2022	2023-2027
Traded sector	Miminal		
Non-traded sector	Miminal		

[Further comment]:

There would be a small carbon impact arising from the additional rail vehicles and vehicle kilometrage that would operate following the transfer. This has the potential to be offset by a reduction in car travel as more passengers divert to use public transport due to the improved quality of service that the transfer will provide, particularly during off peak periods when road congestion is less acute and journey times therefore more competitive.

Policy fit

[Briefly explain how the scheme interacts with existing infrastructure and other planned investments]:

The transfer aligns with the Government's policy of improving the quality of rail services and ensuring that they facilitate economic growth through increasing accessibility to jobs and supporting housing development.

Contribution to sponsoring organisation's objectives and wider Government aims

[Explain fit with transport objectives, and also any impact on wider Government / regional / other objectives]:

The transfer will deliver improved service quality and capacity on inner suburban services, both of which are key priorities for the Mayor as he seeks to deliver an improved quality of life and better economic opportunities for all Londoners through the promotion of growth and an increased housing supply, which also align with the priorities of the government. The commitment of the Mayor and TfL to the transfer has recently been reaffirmed in a paper submitted to the TfL Board meeting held on 22nd September 2016.

Economic Case

v1.0

Scheme Name	Transfer of contracting authority for Southeastern inner suburban rail services		Date	October 2016
Economic Summary	Initial	Adjusted	Value for Money	
PV Benefits (£m)	1,653	N/A	Very High	
PV Costs (£m)	385	N/A		
BCR	4.29 to 1	N/A		

Assumptions

Appraisal period of 20 years, based on the average expected life of the capex investment made.

Background annual demand growth of 2% pa throughout the duration of the appraisal period before the impacts generated by the proposal.

An improvement in train service reliability of 3% (Public Performance Measure) and 5% (Right Time) across all services currently operated by the incumbent TOC.

The following additional resources are assumed to be required to support the separation of the existing franchise:

- 32 train drivers;
- 21 additional revenue protection inspectors;
- 24 additional vehicles.

As changes have been made to the base case since the original work to evaluate the resource levels was undertaken in 2012/13, TfL considers that the number of additional train drivers and additional vehicles which will be required is lower than that suggested by the incumbent TOC. The planned remapping of the Gillingham to Charing Cross services with associated drivers and rolling stock to the GTR franchise has, in TfL's assessment, reduced the number of additional drivers needed from 56 to 32 in conjunction with the other factors discussed below. It has also contributed to a reduction in the number of extra vehicles needed for metro operations as the remapped Gillingham services will be operated by Class 700 units compatible with the signalling system installed throughout the Thameslink Core. Additionally, TfL's analysis of station workings at Charing Cross suggests that the former practice of covering inner suburban services with mainline trains for operational convenience during the contra-peak has been reduced. These factors, combined with the significant number of additional mainline units (Class 377/1) Southeastern expects to introduce by the end of 2017, mean that TfL is confident that the original estimate of +60 vehicles to cover the metro / mainline split can be reduced to +24 vehicles (6 x 4-car or equivalent).

TfL considers that it will prove possible to reduce the number of additional station staff required to deliver staffing throughout the day at all stations managed by the Concession through the redistribution of existing staff from their current roles where these are sub optimal from a customer service perspective, for example the multiple crewing of ticket offices at quiet times.

TfL's concession contract will lead to a saving on the margin charged by the current franchisee for accepting revenue risk. This saving is worth the equivalent of 2% of the revenue earned by the proposed Southeastern concession.

TfL's concession contract will lead to a reduced level of ticketless travel worth 4% of the revenue earned by the proposed Southeastern concession.

Key Risks, Sensitivities and Uncertainties

There are few risks or uncertainties associated with the economic case, given that it is based on a tried and tested approach to improving the quality of the rail service.

A sensitivity has been generated focusing solely on those elements of the business case that the DfT could not enact separately as part of their franchising and general rail planning processes. This sensitivity analysis was requested previously by the DfT when the transfer last underwent formal evaluation by the Department in spring 2013; the elements covered (which are listed below) reflect the configuration of this previous sensitivity:

- Savings in bus operating costs arising from the effective planning of capacity on corridors across all modes by TfL;
- Costs associated with the separation of the existing franchise into two elements: a TfL let concession and an ongoing franchise covering outer suburban and High Speed services;
- Revenue gain from the incorporation of the Southeastern Concession into TfL's marketing materials and processes;
- Additional one off and regular costs associated with the Concession, including project management costs, costs for additional management staff, etc;
- Revenue gain from improved revenue protection practice under TfL's incentive regime;
- Savings arising from the reduced revenue risk premium charged by the operator of the Concession due to the contractual framework employed by TfL.

The benefit cost ratio for the sensitivity is revenue positive so the sensitivity delivers very high value for money.

Impacts		Adjusted BCR Monetised Impacts		
N/A		All impacts that can be monetised are included above.		
Impacts		Positive Non-Monetised Impacts	Scale of Impact	
Economic Development		The transfer will facilitate increases to train service capacity and frequency that will help to deliver significant development in south east London, as detailed in the section above on the Strategic Case for the change.	High	
Integration		The transfer will deliver significant integration benefits to customers by simplifying fares and ticketing as well as improving the provision of multimodal customer information.	High	
Funding and planning		<p>TfL is well placed to deliver a better alignment of planning and delivery activity across all transport modes for the following reasons:</p> <ul style="list-style-type: none"> • It can achieve alignment of transport capacity with planning for new developments through its close relationship with the GLA and local authorities; • It can use its links to local authorities and other industry parties to ensure that opportunities for third party funding are leveraged in an effective manner, reducing the cost of projects to the public sector; • It will also enable better coordination of service provision between modes including buses, reducing costs by ensuring an appropriate level of capacity is provided along corridors across all modes. 	High	
Benefits to customers suffering impairments		All day station staffing will ensure that customers with impairments can access the transport network and receive the assistance that they need when using it without the requirement to pre book.	Moderate	
Impacts		Negative Non-Monetised Impacts	Scale of Impact	
Environmental		Carbon impact of producing extra vehicles and operating additional vehicle miles.	Small	
Change in Benefit or Cost required to change Value for Money category		Change in Benefit or Cost	New Value for Money Category	Likelihood of New Value for

			Money Category
N/A	Benefit		
N/A	Cost		

Financial Case

v1.0

Scheme Name	Transfer of contracting authority for Southeastern inner suburban rail services										
Promoting Authority	Transport for London								Date	October 2016	

Summary Financials

Overall net cost of scheme	£375m	Cost to DfT	£0m	Available budget	n/a	Contingent Liabilities	n/a
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Scheme Costs

Main expenditure sources (£m)	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	Total
Local Authority	10.8	13.8	88.3	86.7	78.7	25.9	22.9	23.5	23.9	374.6
Third Party	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Department for Transport	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL PLANNED COST (ALL FIGURES ARE NET COSTS)	10.8	13.8	88.3	86.7	78.7	25.9	22.9	23.5	23.9	374.6

Budgetary Impact Summary Anticipated Funding & Financing Arrangements

TfL has agreed to bear all the incremental costs of the transfer. In the context of the overall TfL Budget (c£8bn in 2012/13) these additional costs are relatively small, and it is consistent with government policy on decentralisation that the Mayor and the TfL Board should determine their own spending priorities. TfL will meet any reasonable costs that the DfT incur during the process of enacting the transfer; these will include legal and project management fees. The above forecasts include the net impact of the reduced fares TfL plans to introduce following the transfer.

Financial Risks

There are no significant financial risks associated with the proposal, as it is based on a tried and tested process which has proven to be successful.

Accounting and Budgeting Issues (including classification and balance sheet impact)

[Where relevant, specify particular issues relating to the accounting treatment and budgetary classification including the impact on the balance sheet]:

There are no balance sheet issues for the Department. Responsibility for accounting for DfT grant and any assets purchased as part of the scheme will lie with TfL.

Regularity and Propriety Issues

[Summary of regularity and propriety issues including HMT clearances required/sought]:

The ORR will provide regulatory oversight for all the services covered by the transfer, providing a guarantee that TfL will not be able to exercise undue influence over the allocation of capacity on the network to the detriment of other parties.

HMT clearance is not required for this change, although they retain an interest and are being kept informed on progress.

Additional notes

[Identify any substantial points not already covered]:

Scheme Name	Transfer of contracting authority for Southeastern inner suburban rail services	Date	October 2016
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Key Outputs/Deliverables/Success factors

[Outline the key outputs/deliverables/ success factors for the project]:

- TfL, the DfT and the incumbent TOC agree the specification for the transfer, and ensure this is incorporated into the documentation for the franchising and concessioning competitions;
- Terms of Transfer agreed between TfL and the DfT , including necessary safeguards and conditions;
- Statutory Instrument enacted to de-designate services to be transferred from the franchised railway;
- Incumbent TOC to carry out operational split of the business into two separate management units to support the transfer and the franchising/concessioning process;
- TfL to run competition for the concession to operate the service and ensure this starts within the required timescale. The proposed programme for the concession letting process is provided at the end.

Capability and Skills

[Describe internal / external expertise assigned for the project]:

- The DfT and the incumbent TOC will need to provide project management and legal support to the process. TfL will fund any reasonable requirements in this area;
- TfL will utilise its existing concession letting team to support the process, supplemented by the use of contracted external experts to cover the following areas:
 - Technical and commercial support, particularly during the concessioning process;
 - Project management;
 - Legal advice;
 - Marketing and branding;
 - Operations;
 - Management of interfaces with other rail industry bodies, including Network Rail and the ORR.
- The transfer has the potential to reduce the cost of delivering rail projects as the two relevant public sector organisations (Network Rail and TfL) can work together directly to reduce the level of risk and margin that the TOCs charge when they are involved in this type of activity. This is particularly relevant to the forthcoming implementation of projects related to the Digital Railway concept.

Procurement strategy & sourcing options

[Summary of present/future market, procurement route and specification for delivery]:

TfL would let the contract for the concession to run the services to be transferred. This would be done on a competitive basis using OJEU and would be fully integrated with the DfT's franchise letting process. The two organisations have worked jointly in the past to recruit operators so there is a clear precedent for this process operating successfully.

Documentation

[Outline required documentation and their status within the procurement procedure]:

All the documentation required to support the franchising and concessioning processes would be completed by the DfT and TfL respectively.

Financing arrangements, and payment mechanisms

[Outline financing arrangements, and future mechanisms including incentives]:

- TfL to let and manage contract with concessionaire, funding additional enhancements either through savings or by reprioritisation from elsewhere in their Business Plan;
- TfL would be responsible for funding all access charges incurred by their concessionaire, through the concession agreement where appropriate;
- The financial impact of transferring the existing operation to TfL will be managed so neither the DfT nor TfL gains or loses financially from the change;
- The transfer and financial transfers would be permanent, although the DfT would remain the ultimate operator of last resort in the event that TfL defaulted on its commitment to run the service.

Personnel issues including TUPE

[Summarise any issues and numbers affected]:

- TUPE arrangements would apply to staff transferring to the new Concessionaire. Pensions would also need to be subdivided;
- Additional drivers and other staff would need to be recruited to facilitate the separation of the services, as described in the section above covering the Economic Case for the change.

Risk allocation and transfer

[Summarise how risk is transferred as part of contracting process]:

- TfL intends to run transferring services under a gross cost contract, such that revenue risk is taken by TfL rather than the concession. This is the model used by TfL for most of the other rail services that it contracts, including the Overground, TfL Rail and the DLR;
- TfL will therefore bear the cost and other risks associated with the transfer process, provided that these are not realised by negligence on the part of other parties, including the DfT.

Contract management

[Detailed timetable including milestones key to contracting process, and project duration]:

The specification for the transfer would need to be agreed by both parties prior to the commencement of the process of reletting the existing Southeastern franchise. The refranchising and concession letting processes would then proceed for completion during 2018.

Management Case

v1.0

Scheme Name	Transfer of contracting authority for Southeastern inner suburban rail services	Date	October 2016
Governance			
Senior Responsible Owner	Tbc	Project/Programme Manager	Tbc
<p>[Include a brief description of the governance structure, linking roles and responsibilities with accountability including delegations]:</p> <p>The Rail Prospectus issued in January 2016 sets out proposals for a shared approach to the management of rail services in London and South East England, including the transfer of Southeastern inner suburban rail services and providing the framework for a partnership to deliver this without compromising the interests of any of the customers who use the services affected. The activities of this partnership will ultimately be governed by the regulatory structures that apply to the entire rail industry: these will ensure that TfL and other parties cannot unduly influence the capacity allocation process, protecting the interests of all parties involved.</p> <p>TfL can provide an established, successful team to lead the process of specifying, procuring and managing a Southeastern inner suburban concession drawing on the wide body of experience that exists across the TfL business in this area, contributing effectively to realising the aims of the partnership.</p>			
Are governance arrangements in place?			Yes
Risk management			
<p>[Include a summary of the main risks derived from scheme risk register, together with an assessment of the effectiveness of any mitigating actions.]:</p> <ul style="list-style-type: none"> • DfT capacity to deliver the transfer alongside its existing refranchising programme; • Costs rise due to unforeseen problems, e.g. due diligence raises issues; RoSCos negotiate tougher terms for rolling stock than anticipated; • Industrial relations due to the staff movements required. 			
Has a risk management strategy/plan been completed?			No
Have key risks been identified and managed?			Yes
Project plan			
<p>[Identify the key milestones and dependencies. Assess the resources required to deliver the project]:</p> <p>Critical path for the programme includes:</p> <ul style="list-style-type: none"> • Contract/specification negotiation in time for refranchising process; • Driver training and recruitment. <p>A draft programme for the Southeastern transfer has been provided which is shown provided at the end.</p>			
Has a project plan been produced containing the above elements?			Yes
Communications and stakeholder management			
<p>[Identify the key milestones and dependencies, including all approvals processes that will be required. Assess the resources required to deliver the project]:</p> <p>The proposals have already been communicated widely to the key stakeholders and have gained widespread cross-party support across London and further afield, as evidenced by the results of the consultation on the joint Rail Prospectus published by the DfT and TfL in January 2016. Recent opinion surveys of Londoners have demonstrated that they support the transfer of control over rail services to the Mayor, recognising the benefits that this delivers. This is true across all age groups, amongst those who are in work and the unemployed and those who live in north and south London. A letter of support for the transfer has been received from Kent County Council (on 22 October 2015). More recently the leaders Kent, Hertfordshire and Surrey County Councils all wrote to the Department of Transport (on 21 July 2016) urging that progress is made on the transfer of inner suburban rail services in London to TfL. The proportion of total journeys made on the services provided by the proposed Southeastern Concession that travel beyond the London boundary is 4%, so it is not a significant provider of transport services beyond the London area.</p>			
Has a communications plan been produced?			No
Has a stakeholder analysis been carried out?			Yes

Benefits realisation

[Include all the high level benefits and how they will be managed, measured (both quantitative & qualitative) and monitored]:

TfL will evaluate the benefits fully to inform any further transfer proposals and demonstrate the value that they deliver. The transfer process and its outcomes have already been thoroughly tested on London Overground and shown to be a success across a variety of metrics. TfL plans to run various surveys to measure levels of fraudulent travel and customer satisfaction across a variety of attributes these can be used to evaluate the effectiveness of the enhancements that have been introduced.

Has a benefits realisation plan been completed?

No

Assurance

[Include a summary of the assurance processes used eg Gateway Review, Peer review, independent challenge]:

The project planning undertaken to date has been carried out jointly by TfL and DfT, consulting with the incumbent TOC and has consequently involved a high degree of mutual challenge, although there has not been separate independent challenge as yet. The separation process and establishment of a new concession would be intensively managed within TfL, with the relevant management boards retaining close oversight of it.

Have assurance and approvals plans been developed?

No

Proposed timeline for letting the Southeastern Concession

Month >	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31			
	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18			
Lead																													
DfT/TfL	Agment in principle				Approval for procmnt															Board approval to award									
DfT/TfL					Stakeholder consultation																								
DfT/TfL	Set up Partnership Board, Project Board, wrking grps																												
DfT / TfL											Statutory Instrument produced and laid before Parliament																		
DfT/TfL Incumbent for VSBU						Virtual strategic business unit created														Grant Memorandum agreed									
DfT/TfL/Incumbent	Disaggregation report		Joint working to create separate business unit																										
DfT/TfL	Collaboration on Specification and ITT development																												
Concession - ItL Franchise - Incumbent	Timetable planning / rolling stock and crew diagramming / maintenance planning etc																												
Incumbent franchisee		Additional resources identified			Typical driver recruitment / training duration																								
TfL				OJEU and PQQ responses	PQQ Evaluation and short-listing	Bid team mobilisation			ITT and tender period				Tender evaluation, approvals and contracting				Confirmation process	Contract Award											
Appointed Operator																						Mobilisation			Go live				
DfT		Pass port data			Request Eol	Eol evaluation and shortlisting					ITT and tender period				Tender approvals and contracting				Contract Award										
Appointed Operator																						Mobilisation			Go live				

The timeline ends in November 2018, but could be extended to December 2018 to coincide with the timetable change date.

Appendix 2 – Further detail on the proposal

1 Concession model

1.1 If the Secretary of State agrees to devolve further suburban services to TfL, the options available to TfL for managing them are to:

- Operate the relevant service groups on a basis similar to the current DfT franchises
- Operate on a concession basis, the approach currently used for London Overground, TfL Rail and Docklands Light Railway – which is the approach planned to be adopted

1.2 Under the concession model TfL pays the operator a set fee for delivering the specified level of service. A performance regime enables the operator to earn bonuses for performance above a particular benchmark, while deductions are charged when performance falls short. Fares income is retained by TfL, rather than the system mostly used by the DfT under which it is retained by the operator. The risk that passenger demand might rise or fall as a result of economic factors such as employment levels is, therefore, also retained by TfL. As part of the GLA family and with its capital reserves and diverse sources of income, TfL is better placed than an individual train company to manage these risks across the whole of London's public transport network and plan services accordingly; TfL is also able to invest in services for the long term to support London's wider growth and development, including housing growth.

1.3 Specifically the concession model enables TfL to:

- Deploy people with the skills, knowledge and experience to deliver efficiently and effectively; and bring the necessary level of focus in overseeing the train operator to ensure excellent service delivery on complex urban railways
- Provide very clear incentives for operators to deliver the best possible reliability and customer service. In particular, requiring a minimum level of performance on all services and at all stations avoids pockets of poor performance being hidden, which can be the case when performance measures target broad averages
- Use the revenue from the extra passenger journeys that the improvements have encouraged to put back into further service enhancements
- Achieve a greater degree of integration between different public transport services, focused on a specific type of customer journey demand and local development

2 Geographic scope

2.1 In general the services that would be suitable for transfer to TfL would be 'stopping' suburban services that terminate inside (or sometimes just beyond) the London boundary – as they principally serve the 96 per cent of passengers making local journeys in Greater London.

- 2.2 Specifically, TfL has identified the following groups of suburban services that would be suitable for transfer to TfL. All of these services are part of current DfT-managed franchises that will end between 2017 and 2021:
- To/from Charing Cross, Cannon Street and Victoria serving southeast London to Dartford, Gravesend, Hayes, Orpington, Bromley North and Sevenoaks (current franchise ends in June 2018)
 - To/from London Bridge and Victoria serving south central London to Sutton, Epsom Downs, Epsom and West Croydon plus Southern services along the west London line (current franchise ends in September 2021)
 - To/from Waterloo serving southwest London to Chessington South, Shepperton, Hampton Court, Dorking, and Kingston and Hounslow loop services (current franchise ends in June 2017)
 - To/from Moorgate serving north central London to Welwyn Garden City and Stevenage via Hertford North (current franchise ends September 2021)
- 2.3 Most of the London terminals served by these 'inner' services also host longer distance 'outer' services to/from destinations distant from London, with limited stops inside Greater London. Those outer services would remain the responsibility of the DfT. TfL is clear that there would be no prospect of the users of outer services being disadvantaged by the devolution proposals for inner services. TfL has developed with Kent County Council a series of safeguards to ensure this. Kent, Surrey and Hertfordshire County Councils – the local authorities adjacent to the areas of London in which the services identified operate – have all made clear in writing their support for the devolution proposals.

3 Timescales

- 3.1 When services were devolved previously the process took a minimum of two years. Typically a joint project board involving TfL, the DfT and the incumbent operator would be set up, supported by a project manager for each organisation and a series of working groups on specific issues. Issues would include defining the precise boundaries of the transfer and agreeing the split of resources, staff and liabilities between the new TfL-appointed suburban operator and the DfT longer distance operator. In parallel, both TfL and the DfT would need to undertake procurement exercises for their respective new train operating companies, so that they were in place to take over services from the incumbent when the existing franchise ended.
- 3.2 TfL has thoroughly prepared the technical ground to enable this process to begin. The next step would be written agreement in principle from the Secretary of State signalling his intention to devolve further rail services, consequently enabling the DfT to engage with us on the detailed planning and mobilisation. Without this instruction, the DfT will continue to deliver the previously published refranchising programme, which does not include devolution to TfL.
- 3.3 The Southeastern franchise ends on 24 June 2018, though the DfT has an option to extend this for up to seven periods (that is until 5 January 2019). A written

agreement in principle for devolution of the relevant services in southeast London is therefore needed soon given the two year duration required.

- 3.4 For services to/from Waterloo, the 2017 refranchising date will not allow sufficient lead time for a transfer to be planned and implemented. A date around 2020 would be more achievable, but provision for the relevant services to transfer ideally needs to be included within the new DfT franchise that starts in 2017.

4 Southeastern's devolution proposal

- 4.1 TfL has access to Southeastern's own devolution proposal from April 2016 by which services and supporting resources would be separated in a process under one entity and managed by them. Updated from the original 2013 report, Southeastern recommends a 2-2½ year programme including six months of 'shadow running' in which the two separated business units ('metro' and 'mainline') would both be operated by the incumbent to test its robustness.
- 4.2 It finds among other things that separation requires additional rolling stock and train driver resource, though it does not at this stage take account of the proposed remapping to GTR of the Gillingham service to Charing Cross service, nor of the proposed capacity enhancement to enable 12-car trains. Both are expected to have a material impact that would reduce the requirement for extra staff and vehicles, and TfL has taken the likely impact into account.
- 4.3 TfL also suggests that the DfT and TfL procurement competitions could run in parallel for both the metro and mainline operations, which is deliverable within a two year horizon as long the competition starts in earnest as soon as possible. It is analogous to a number of examples where franchise boundaries have been redrawn, service groups and resources re-mapped and concurrent competitions undertaken such as:
- The split of Silverlink into London Midland and London Overground in 2007
 - The remapping of routes between Northern and TransPennine Express in early 2016
 - The removal of Liverpool Street – Shenfield services and West Anglia inner services in 2015 from Greater Anglia to TfL Rail and London Overground respectively
- 4.4 While TfL expect separation to be cost neutral on a like for like basis in the medium-term, if there is a need to recruit extra drivers early or other separation costs, TfL would pick up the cost and/or pay Southeastern accordingly.

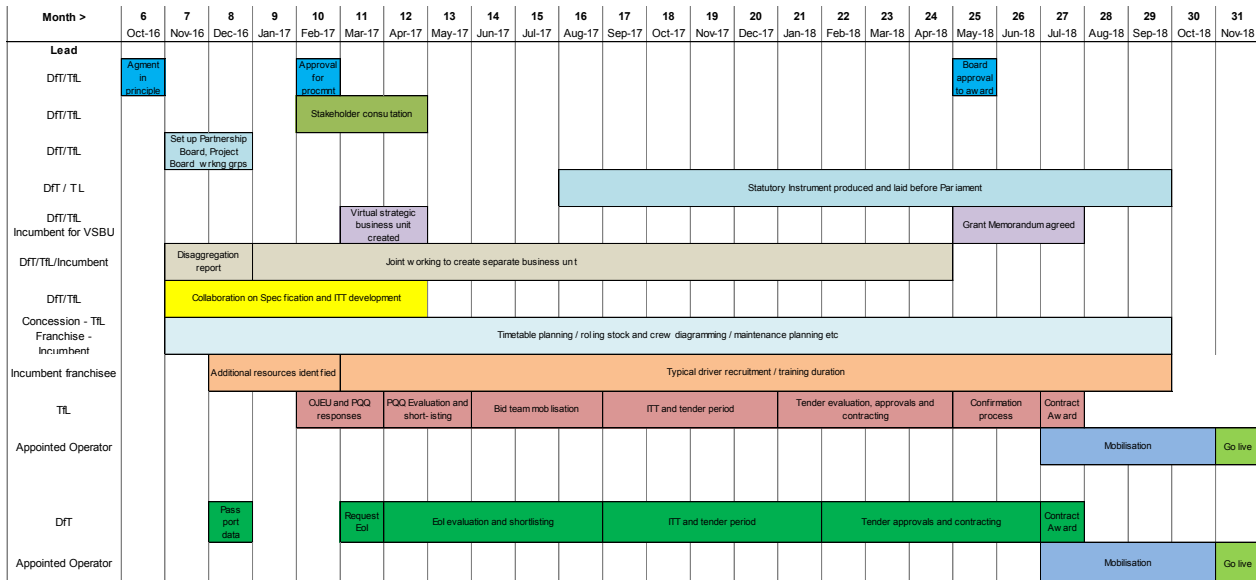
5 TfL's preferred approach

- 5.1 TfL's preferred approach would work as follows:
- Southeastern's service groups are identified as either metro or mainline. TfL has identified the relevant services already, and a version of this is reflected in Southeastern's analysis from April 2016

- A common data room is set up for both competitions and bidders selected independently for each procurement and competitions run in parallel. Southeastern's assessment of how this would work is preferably shared by agreement with bidders having been validated by both DfT and TfL that this works in resource terms (i.e. drivers, rolling stock, requirement for trading requirements, etc.)
- Competitions are completed with sufficient time for winning bidders to mobilise, undertaking their preparations in advance of the commencement date for both Metro and Mainline. The risk of changes can be dealt with in the mobilization period
- New diagrams for both train crew and rolling stock are put in place on commencement date, as now with a new franchise

5.2 The summary timeline is shown below.

Figure 1: Potential timeline for transfer of inner suburban services in southeast London



6 Mitigating risks

6.1 Discussion to date has identified three key risks that need to be addressed.

Drivers

6.2 Where additional drivers are needed, these should be hired in advance by giving an instruction to Southeastern to recruit and train drivers and then assign them to successful bidders at the point of commencement, thereby avoiding driver shortage risk.

Rolling stock

6.3 There need be no surprises with respect to rolling stock given the work done to date, and indeed it may be more straight-forward if the proposed capacity

enhancement project goes ahead. Where additional rolling stock is needed, it can be sourced in the normal manner through bids from ROSCOs which currently have rolling stock coming off hire. The risk can be mitigated through early engagement with ROSCOs, or internal DfT consultation on scenarios. The exact amount does need consideration given Southeastern's proposals to DfT for more capacity and the emerging remapping of the service to/from Gillingham from Southeastern to GTR – as this is likely to reduce the requirement.

- 6.4 Contractually DfT would agree the overall timetable for both Southeastern and GTR to deliver from May 2018. TfL would make sure that we can clearly identify those services which are transferring to TfL at an individual train level, and participate in the process to define the resources needed to deliver them. This will be more straight-forward given the transfer is at a different date from any timetable change. There is no plan for TfL to change the timetable in 2019 or 2020.

Shadow running

- 6.5 There is no need for a lengthy shadow running period by Southeastern as long as there is sufficient mobilisation time for successful bidders to ensure all resources, including timetables, can be implemented efficiently and effectively. TfL will commit to no early timetable changes which makes this more readily achievable. It would be also possible to extend mobilization by extending the franchise by (say) four periods to 13 October 2018 or five periods to 10 November 2018, both within the seven period option that DfT already has. This would de-risk the transfer further by moving transfer comfortably past the May 2018 timetable change date.
- 6.6 Trading agreements can be set up for train-crew and for maintenance pending full separation. Traction and route knowledge is not lost overnight, nor is the ability to maintain the trains. Southeastern have worked with train-crew trading for years, providing drivers (and conductors) for former First Capital Connect services.

Appendix 3 – Evidence on performance impacts

1 Background

- 1.1 TfL is already responsible for a number of devolved suburban rail services, currently branded London Overground or TfL Rail. London Overground provides orbital links around inner London as well as the ‘stopping’ suburban services to/from Euston and one group of suburban services to/from Liverpool Street (known as ‘West Anglia’). TfL Rail provides the other group of suburban services to/from Liverpool Street, on the line to Shenfield. In 2018 TfL will also take over responsibility for suburban services from Paddington which will be amalgamated with TfL Rail and the new Crossrail tunnels across central London to form the Elizabeth line.
- 1.2 Currently 228m journeys a year are made on TfL’s devolved rail services. Once the Elizabeth line opens fully this will rise to 411m journeys, or 57 per cent of journeys on ‘stopping’ suburban rail services in London. The majority of these services are north of the river. London Underground also has limited coverage south of the river for historical reasons. Consequently large parts of south London are reliant on rail services operated by franchised train operating companies, appointed by the DfT, for which TfL and the Mayor have no responsibility.
- 1.3 The evidence shows clear and measurable benefits for customers on services that have already been devolved, and TfL believes similar benefits could be achieved for other services should they transfer in future.

2 The original London Overground (since 2007)

- 2.1 When TfL took over the former Silverlink franchise in 2007, which formed the first phase of the London Overground, it was one of the worst performing railways of its type in the country in terms of delayed trains, passenger satisfaction and ticketless travel. By 2010/11 there had been big improvements in all three of these measures, as well as a significant increase in journeys as the improved service became more popular. Detailed figures are provided in Table 1.

Table 1: Performance improvements on London Overground between 2006/07 (the last full reporting year under the previous operator) and 2010/11

Performance measure	2006/07 ¹⁴	2010/11 ¹⁵	Change
Overall customer satisfaction ¹⁶	73%	87%	14 point increase
Delayed trains ¹⁷	8.8%	5.1%	42% reduction
Fare evasion	12.6%	1.8%	86% reduction
Passenger journeys	25m	41m	65% increase

2.2 The turnaround was remarkable as it was during a period of extensive and disruptive infrastructure works being conducted by TfL and Network Rail. After 2010/11 the benefits of those improvements began to be felt, building on the early gains, leading to further rapid growth in journeys – the network is now used by six times as many people as in 2007 on a like-for-like basis, with 155m journeys in 2015/16. The package of infrastructure improvements included an upgrade of track and signalling infrastructure, as well as platform extensions, which together allowed brand new, longer trains to be introduced and service frequencies to be significantly enhanced. All stations were thoroughly refurbished. TfL opened the newly extended East London line as part of the Overground, and subsequently extended it further to Clapham Junction.

2.3 These improvements happened because being responsible for passenger services put TfL in a very strong position to both work with Network Rail to prioritise infrastructure improvements on these routes, and secure funding from a range of sources to put together a comprehensive package.

3 West Anglia services (since 2015)

3.1 Services between Liverpool Street and Chingford, Cheshunt and Enfield Town ('West Anglia') became TfL's responsibility in May 2015. Comparing the last four reporting periods under the previous operator with the same periods one year later, TfL has delivered significant reductions in delayed trains and ticketless travel, and significant increases in passenger satisfaction with many elements of the service. Passenger journeys have grown strongly. Detailed figures are provided in Table 2.

3.2 The improvements on West Anglia have been delivered using the same infrastructure and trains inherited from the previous operator. Improvements for customers have been down to TfL's incentive model for the train operator – which is based on on time trains and customer satisfaction rather than financial performance. The operator is required to work in close partnership with rolling

¹⁴ 2006/07 was the last full railway reporting year before TfL took over these services in November 2007.

¹⁵ The end of 2010/11 was around three and a half years after TfL took over these services, and before the benefits of the major infrastructure investment began to be felt by customers.

¹⁶ As measured by the Transport Focus National Rail Passenger Survey.

¹⁷ The percentage of trains that arrived at their final destination more than five minutes after the scheduled time. These figures are calculated from the rail industry standard Public Performance Measure.

stock maintainers, Network Rail and TfL itself, to ensure a collective focus on customer service. Under this regime there have been: additional staff and training; refurbishment of stations and trains; improved regular station and train cleaning and maintenance; enhanced, integrated real-time information; additional ticket gates; measures to eliminate the causes of delays; and faster response to infrastructure failures to minimise their impact. New rolling stock is under construction and will start to be introduced in 2018.

Table 2: Performance improvements on West Anglia services between the last four periods under the previous operator and the same periods one year later

Performance measure	P12 2014/15 – P2 2015/16	P12 2015/16 – P2 2016/17	Change
Overall customer satisfaction ¹⁸	74%	77%	3 point increase
Selected specific measures:			
- Satisfaction with station staff availability	40%	83%	43 point increase
- Satisfaction with station cleanliness	49%	81%	32 point increase
- Satisfaction with information about train times	63%	78%	15 point increase
Delayed trains ¹⁹	4.8%	4.0%	15% reduction
Fare evasion ²⁰	14.5%	2.1%	86% reduction
Passenger journeys ²¹	9m	11m	27% increase

3.3 When TfL's rail services are measured against other comparable UK train companies, the rate of improvement has been well above the norm. Figure 1 shows that the proportion of trains arriving on time has risen markedly in the last year on all three devolved services, whereas several similar train operators saw significant declines.

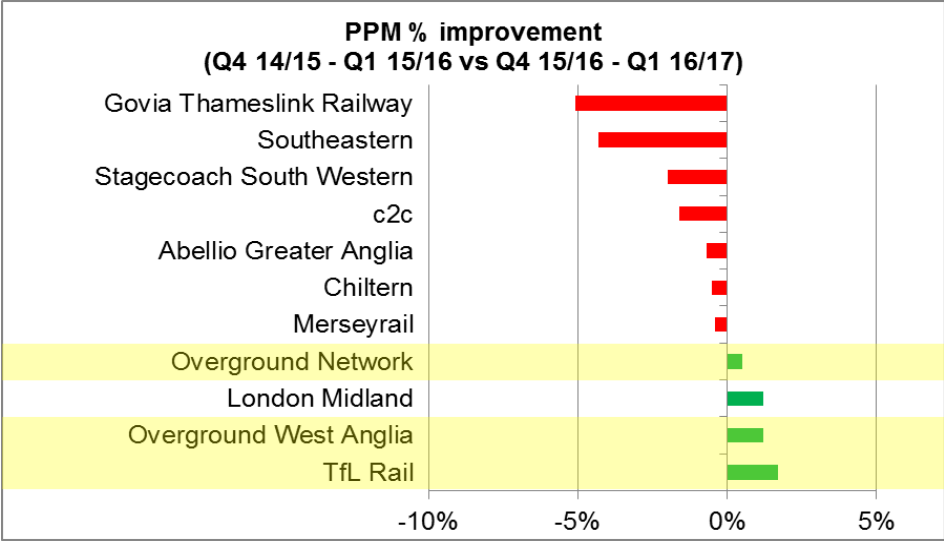
¹⁸ As measured by the Transport Focus National Rail Passenger Survey, comparing spring 2015 to spring 2016.

¹⁹ The percentage of trains that arrived at their final destination more than five minutes after the scheduled time. These figures are calculated from the rail industry standard Public Performance Measure.

²⁰ Data from before the transfer to TfL is from a one-off survey conducted in January 2015. TfL has now implemented quarterly ticketless travel monitoring; the figure from after TfL took over is the average of Q4 2015/16 and Q1 2016/17.

²¹ Passenger journey figures are for the periods specified only. For comparison, the total journeys recorded in 2015/16 were 33m. Journey figures are measured by the ticketing system: the strong growth seen is due partly to the reduction in ticketless travel, partly to actual growth in demand, and partly to improvements in reporting methodology. Background passenger demand growth across all train operators in London and the South East is currently running at around 5 per cent year on year.

Figure 1: Change in Public Performance Measure (the percentage of trains arriving at their final destination within five minutes of the scheduled time) on comparable train operators over one year



Appendix 4 – Rail devolution and its role in meeting London’s housing challenge

London’s rapid growth needs to be supported by investment in transport

- 1.1 London has transformed itself into an internationally competitive World City, resulting in the creation of 1.1million jobs since 2000 or 28 per cent of total growth in England. This has been accompanied by major structural shifts away from manufacturing towards services, driving significant increases in productivity and tax revenue. Strong economic growth is expected to continue, with the Further Alterations to the London Plan (FALP) originally forecasting 5.8 million jobs in London by 2036, a figure which was recently updated by the GLA to 6.5million jobs due to much stronger recent levels of growth.
- 1.2 Partly driven by strong economic growth, the scale and pace of population growth in London has also been much greater than previously envisaged. The revised population projections set out in the FALP forecast London’s population rising from 8.2 million in 2011 to 10.1 million in 2036. Additional projections that have been prepared by the GLA to support the Mayor of London’s 2050 Infrastructure Plan show a central forecast for 2050 of 11.3 million.
- 1.3 This growth will result in a significant increase in demand for transport. With limited space to accommodate additional vehicular trips on the highway network, TfL estimates that there will be a 50-60 per cent increase in trips on public transport, and up to an 80 per cent increase in rail trips by 2050.
- 1.4 Investment in the Capital’s transport network, accompanied by policies to support sustainable growth, is therefore critical to support economic growth and maintain the quality of life of the city’s residents and workers. If the right levels of investment in transport are not forthcoming, this will result in increased overcrowding, poor service reliability and congestion and additional costs for businesses, constraining economic growth and London’s position as one of the world’s most competitive cities.

London’s housing shortage is constraining its economy

- 1.5 The FALP identifies the need for 49,000 housing units per year to accommodate forecast levels of population growth. However, London’s house building rate has consistently been at a rate of just 15,000 - 25,000 per year. This is in stark contrast to its international competitors such as New York and Hong Kong, which are delivering housing more quickly. London’s failure to build enough homes to keep pace with the growth in population has resulted in rapid increases in prices and worsening affordability, restricting the attractiveness of London as a place to live and limiting the potential labour market for businesses.
- 1.6 The London Housing Strategy is clear that a shortage of suitable homes for London’s workforce is just as great a barrier to growth as an underperforming transport network²². This view is also reflected in business surveys. A recent London First report notes that, *“Housing is the fastest rising concern for*

²² Mayor of London. Homes for London. The London Housing Strategy. June 2014.

*businesses, and today 73% of London's businesses think London's housing supply and costs are a significant risk to the capital's economic growth.*²³

- 1.7 The housing shortage also has other damaging effects to London's economy. If workers are paying an increasing proportion of their incomes in housing costs, it reduces their disposable income. Londoners' average disposable income remaining after housing costs has been on a downward trajectory for five years.²⁴ This impacts on local economies, affecting jobs in outer London in particular, since less disposable income is made available for consumption of local goods and services.

The strategy for delivering housing growth requires us to maximise opportunities around stations

- 1.8 The strategy for accommodating housing and population growth is set out within FALP. The underlying philosophy of the Plan is to accommodate growth within the capital's boundaries without intruding on its protected green and open spaces. This is also supported by the current Mayor, who pledged in his manifesto to protect the Green Belt and other open spaces such as Metropolitan Open Land.
- 1.9 The London Plan has identified the potential for 420,000 housing units. This is enough for 8.5 years of London's housing growth, at the identified need of 49,000 new homes per annum. This means that capacity to meet London's housing need has not yet been identified beyond 2025 and new sites will need to be found.
- 1.10 A key priority for the new Mayor's revised London Plan will be to develop a strategy to accommodate the significant levels of growth required within the existing urban area. This is likely to require densification of sustainable locations in outer London where current densities are low, particularly in south London. Densities in outer London tend to be significantly lower than in inner London: Tower Hamlets, has a population density per hectare of 145; just across the river in Greenwich, the figure is 58. Bexley (40 people per hectare – pph) and Bromley (22 pph) are significantly less dense than their counterparts in North London such as Barnet (44 pph) and Harrow (49.5 pph). A 10 per cent increase in density across Bexley, for example, to match the density in Barnet would create enough homes to house an additional 24,000 Londoners.
- 1.11 The most sustainable locations at which to increase housing densities are those that already have good access to public transport, including locations around stations. But it is only possible to do this if the quality of the rail services is sufficient enough to make the location an attractive one for people to want to live there. To ensure this is the case, we need much closer integration between transport provision and land-use policy. However, the current degree of coordination is relatively poor. Transport and land-use decisions are made by quite different agencies, one by the DfT in central government and the other devolved to GLA and London Boroughs. As a result, transport is inadequately integrated into wider planning.

²³ "London 2036: an agenda for jobs and growth," London First & London Enterprise Panel, November 2014.

²⁴ Cushman & Wakefield Affordability Watch 2015

South London is not currently fulfilling its true potential

1.12 In order to ensure that London can meet its housing need, every part of London will need to accommodate growth. But at the moment, south London is not fulfilling its true potential. Levels of population and housing growth in outer south London have been half that across the rest of the city. This is partly because south London has had fewer large sites available for development, but it is also likely to be because of the poorer quality of its public transport offer.

Figure 1: Population and housing growth in outer south London vs rest of London



There is significant potential for growth in South London

1.13 Areas that are physically close to central London but relatively poorly served by the current transport system offer the most potential for unlocking additional housing development. Many of London's Opportunity Areas have already been transformed through transport investment, and others are expected to see high levels of investment and development in the period up to 2025 following transport investment commitments. For example, the London Overground extension to Barking Riverside will result in very strategically valuable, relatively affordable new housing (around 11,000 units) becoming viable.

1.14 The London Plan recognises the process described above. It identifies potential locations for housing growth and intensification across London and surrounding regions in line with relevant spatial planning policies.²⁵ Opportunity Areas are the capital's major reservoir of brownfield land with significant capacity to accommodate new housing, commercial and other development linked to existing or potential improvements to public transport accessibility.

1.15 Hence London's housing plan identifies the potential capacity for some 40,000 jobs and 42,000 homes in eight opportunity areas and housing zones in south east London (Charlton, Woolwich, Thamesmead, Erith, Belvedere plus the new garden city at Ebbsfleet, as well as Kidbrooke, Lewisham and Catford). Since the

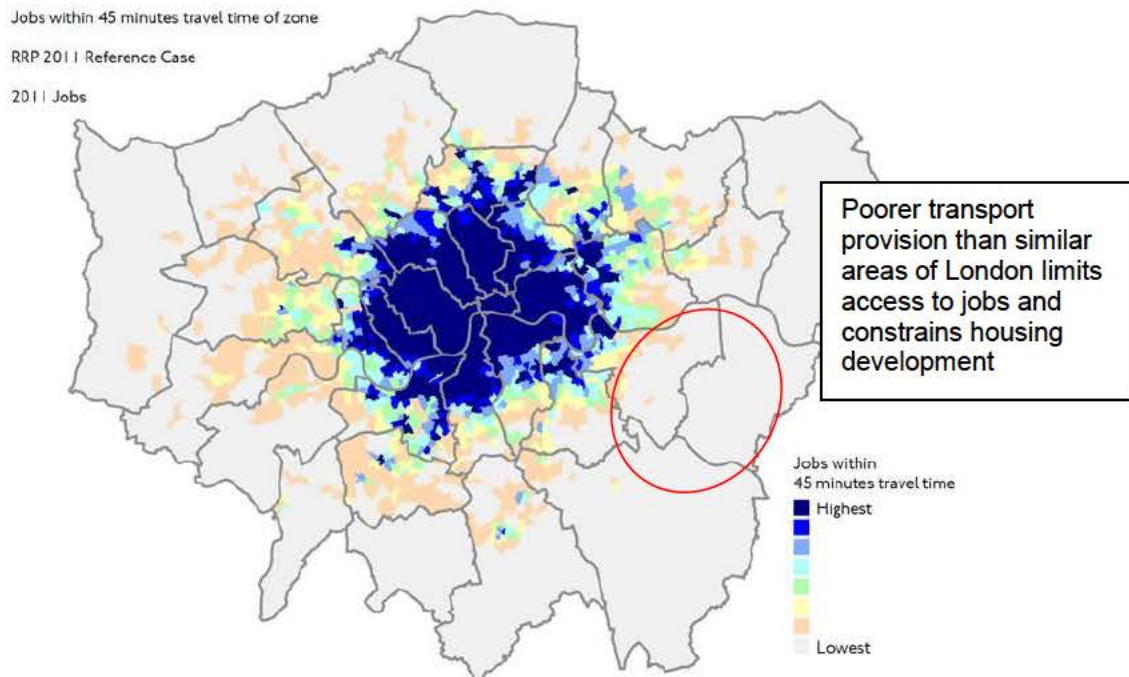
²⁵ The London Plan: The Spatial Development Strategy for London consolidated with alterations since 2011 (2015)

London Plan was published, Boroughs in south east London have increased their growth aspirations. In particular, Bexley have identified the potential for 22,000 new homes and 10,000 new jobs in the north of the Borough.

Poor quality rail services in South London are holding back housing delivery

1.16 Despite the capacity for significant numbers of new jobs and homes in south and south east London, recent rates of delivery have been much lower than what is required to meet housing need. For example in the London Borough of Bexley, the rate of housing delivery since 2001 has been just 350 units per annum, which will need to be increased to over 1,000 units per annum if their growth aspirations are to be realised. A significant factor in lower rates of delivery is the quality of the public transport network, where National Rail services operate frequencies which are typically much lower than those on TfL-operated services. This means wait times are longer and the number of jobs accessible within an acceptable commuting time is lower. This is a particular issue within south east London.

Figure 2: Number of jobs accessible within 45 minutes travel time of a given point



1.17 The ability to access jobs is a key factor in the attractiveness of an area, and therefore the ability to deliver housing. Improvements to the quality of rail services in south and south east London are therefore critical to deliver increased levels of housing.

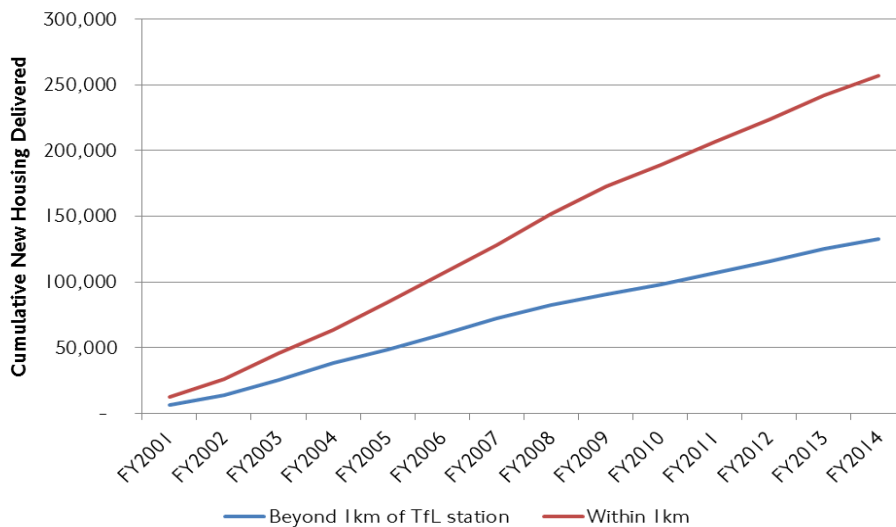
1.18 This view is supported by south London Boroughs. The London Borough of Bexley have set out in their Growth Strategy that the potential for 22,000 new homes and 10,000 new jobs can only be delivered provided investment in land and infrastructure, particularly transport infrastructure, is secured.

- 1.19 In their submissions to the Outer London Commission, the London Boroughs of Kingston, Sutton and Croydon have identified that poor transport infrastructure seriously limits the scope for growth in the sub-region.

The combination of improved service quality and planning policies is key to increasing housing delivery

- 1.20 Transport can play a major role in supporting housing delivery. Where transport connections are good, a higher level of housing density can be supported. Improved transport connectivity can make an area more desirable (e.g. by shortening journeys to work) pushing up land values and making new housing development viable. Improving transport connections can also have a direct impact on housing planning policies – one of the major reasons for rejecting new housing or increased density is lack of transport.
- 1.21 Transport improvements therefore enable the GLA, the London Boroughs and developers to work together to open up large areas of brownfield land for housing development that would not otherwise be viable, enabling the building of many thousands of homes sooner. An example of this already is the London Overground Barking Riverside extension, which is being financed by the land value uplift from the new connection to the 10,800 new homes planned there.
- 1.22 In contrast, this is proving harder to do elsewhere in London where such coordination is poorer. For example, various public sector bodies (London LEP, the London Borough of Haringey the London Borough of Enfield, TfL) have contributed over £50m for additional infrastructure between Stratford, Tottenham and Angel Road in north-east London in order to catalyse the planned 10,000 new homes at Meridian Water for which the London Borough of Enfield has spent £70m assembling land and has selected a development partner. However, at the time of writing, it does not look like the new franchise will specify an adequate 15 minute interval train service. This situation simply would not happen if TfL was responsible for specifying the passenger rail service as it would ensure the necessary train frequency – and therefore full growth benefits – was delivered.
- 1.23 It is this combination of higher levels of attractiveness due to service quality and the ability to integrate services with planning policy which leads to higher levels of housing development. Across London, rates of housing delivery within 1km of a station operated by TfL have been twice the rate of areas not served by TfL.

Figure 3: Housing delivery around TfL-operated stations



- 1.24 Similarly, the places which have grown most quickly in southeast London are those which have been supported by investment from TfL. Woolwich has delivered 5,000 new homes in the last nine years as a result of investment in a DLR extension, as well as Crossrail 1. The 15,000 homes being developed at the Greenwich Peninsula are only possible because of TfL’s investment in the Jubilee Line at North Greenwich.
- 1.25 By making denser and better quality housing development viable, transport infrastructure investment can start a positive cycle of investment, regeneration and improved attractiveness. This also supports local regeneration objectives, as the housing needs of local residents are better met and through demand generated by new residents, there will be increased local job opportunities and local services.

The role of devolution in supporting housing growth in southeast London

- 1.26 The devolution of rail services to TfL in south east London will, in time, allow TfL to optimise frequencies and provide additional capacity to support population and employment growth. However, even without any significant changes in the level of service we would still expect an increase in amount of housing to be delivered from devolution.
- 1.27 This is because devolution allows TfL to make immediate changes to the quality of the service which will lead to increase ridership and make places served by the route more attractive. This has happened with other lines where services have been devolved to TfL. For example, on the line between Euston and Watford Junction, on average there were 475 housing units delivered per year (between 2004 and 2007) within 1 km of a station. Since TfL took over the operation of the line, the average has increased to 725 units per year. Again, this is partly due to the increased attractiveness of the station locations, but also by working with boroughs to develop supportive planning policies.

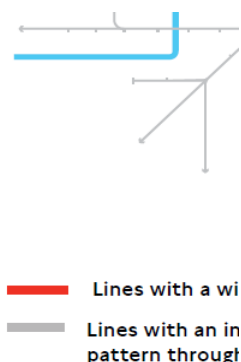
- 1.28 The impact of devolution by itself (without any increase in frequency) on the ability to deliver new housing in south east London will be positive. The scale of housing potential that exists in south east London simply cannot be delivered without improvements to rail services. The most effective way to plan for these improvements is to integrate decision making powers over rail services, with plan making and delivery powers that exist with the GLA and London Boroughs.
- 1.29 If the quality and frequency of rail services in southeast London are not improved and planned for an in integrated way, there is a real risk that the delivery of 22,000 housing units and 10,000 jobs in north Bexley, as well as thousands of other units at stations in the sub-region, may not be delivered. This would constrain south east London's ability to meet the city's housing need, limit its economic growth and contribute to the risk of it losing its status as a highly competitive World City.

Appendix 5 – the *metroisation* concept

1 Making the most of infrastructure

- 1.1 'Metroisation' is a TfL concept that captures the package of actions / change required to improve the capability of London's local suburban passenger services in terms of their capacity, frequency and overall journey times.
- 1.2 The concept has greater application in south London. For historical reasons, North London has a dense network of London Underground routes in addition to suburban rail services, whereas relatively few Underground lines reach into south or south east London, resulting in a greater dependency on rail services. Figure 1 shows one symptom of this, namely that a frequency of at least a train every ten minutes is much more uncommon south of the river than north.

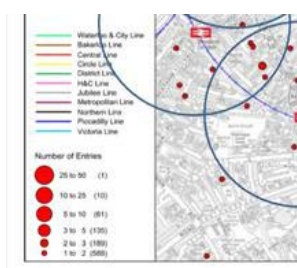
Figure 1: Lines with a train service with a consistent stopping pattern every 10 minutes or better all day



- 1.3 Another outcome is that National Rail services are relatively unpopular compared to LU where the choice is available. For example, fully 45 per cent of people who enter Brixton LU station do so by bus from a across a large area of south London (see figure 2) in preference to using their local National Rail station. Specifically Brixton with 34 trains per hour in the peak has 31 million users compared to 3 million at Streatham Hill station with just four trains per hour one mile further the

south along the A23. There are many reasons for this, but a big part of the explanation is the relatively poor service. TfL is therefore looking at ways of making better use of this infrastructure which has great geographical coverage but poor capability.

Figure 2: Where people who enter Brixton station come from



- 1.4 This phenomenon is not unique to Brixton; other Underground stations in south and south east London are substantially busier than equivalent suburban rail stations, with large volumes of bus demand between rail-served areas and Underground stations. These stations include Brixton, Tooting Broadway, North Greenwich, Canada Water, Elephant & Castle and Morden.
- 1.5 The suburban rail network is therefore potentially underutilised and could deliver far more for passengers if major changes were made. TfL believes that by bringing the simplicity and dependability of the Underground to the suburban rail network in south and south east London, capacity could be increased, helping to accommodate the expected growth in passenger demand across the region.
- 1.6 One symptom of this is long dwell times at busy interchange station such as Clapham Junction. Here about a third of the train disembark, and a roughly equivalent number get on afterwards. Most of the rolling stock has doors just over

a metre wide, narrower in reality as there are two grab poles by the door which passenger often use, thus reducing the usable width still further. This means entry and exit is single file in practice. It is no wonder then that the dwell time can be as high as 120 seconds. The slowest train usually caps the speed of all subsequent trains, and an immobile train for that duration puts a relatively cap on frequency when combined with relatively slow braking and acceleration rates. As a result of this and the infrastructure constraints there are just 14 trains per hour on the slow lines into Victoria in the peak hour. This compares poorly with other National Rail services such as those into Fenchurch Street (20 tph) let alone London Underground's unmodernised Piccadilly line (24 tph) or upgraded Victoria line (34 tph, shortly to rise to 36 tph).

2 The means to achieve metroisation

2.1 To metroise National Rail services, there are six key elements:

Predictable services

- Identifiable "lines" that operate all day every day, with consistent stopping patterns and even intervals
- Turn-up-and-go frequencies maintained from early morning to late evening
- Additional peak services to meet demand maintain connectivity
- This builds confidence in the network

Better connections

- Higher frequency train services, including off-peak improvements
- Short wait times at stations, so no need to plan journeys in advance
- This is particularly useful for those making local connections across south and south east London, who currently have to plan around lots of half hourly services and long waits
- New and upgraded interchanges to boost connectivity, not just to / from central London (eg Lewisham)

More capacity

- Longer trains to take full advantage of previous platform lengthening schemes
- More consistent train lengths at the peaks
- Metro-style rolling stock on inner suburban services
- Infrastructure and/or signaling investment to relieve key bottlenecks on tracks and at junctions that currently constrain both inner and outer suburban services
- Transfer of non-passenger paths from the passenger peaks to other times of day
- Timetables finely tuned where every second counts

Shorter journey times

- Higher performance trains that accelerate and brake faster, and have plenty of room to move around so that boarding and alighting is faster
- Staff actively managing dwell times at key platforms bring urgency and consistency to timetables

- Investment in signalling enhancements
- New infrastructure at key bottlenecks to reduce the need for padding in the timetable

Reliability

- Incentivise reliability within contracts as we have done for London Overground and the DLR
- Simplification of service patterns to reduce conflicts at junctions and mitigate against the cumulative impact of delays elsewhere
- Infrastructure investment to relieve key bottlenecks will allow more reliable services, both inner suburban and outer suburban

Better customer service

- All day station staffing with ticket barriers in operation
- Improved information provision
- Station and train deep cleans and refurbishment
- Better stations with consistent wayfinding
- Reliable ticket machines which sell both National Rail and TfL tickets
- Consistent and easily understood fares across the whole network
- More modern station facilities and shops

2.2 The outcomes could be as follows in the example of the local services out of Victoria:

- Frequency increased (from 14 to 22 trains per hour (tph), that is +8 tph on the trunk);
- More capacity (+20 per cent)
- Journey time reduction of 17 per cent, of which station dwell time would be reduced by 13 per cent and inter-station run time by 4 per cent.

2.3 The maps below show the illustrative service frequencies one could hope to achieve as a result of metroisation.

Figure 3: Simplified schematic of current south London service frequencies and patterns

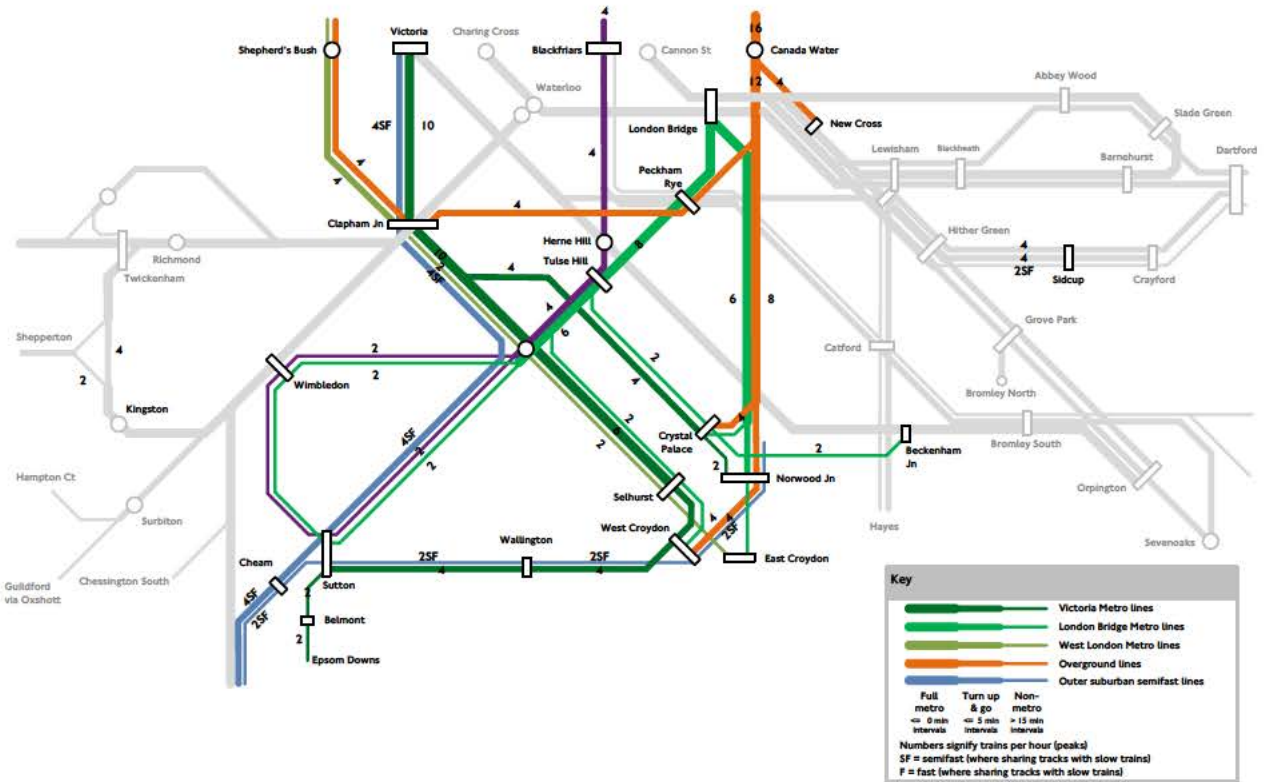


Figure 4: Simplified schematic of future south London service frequencies and patterns

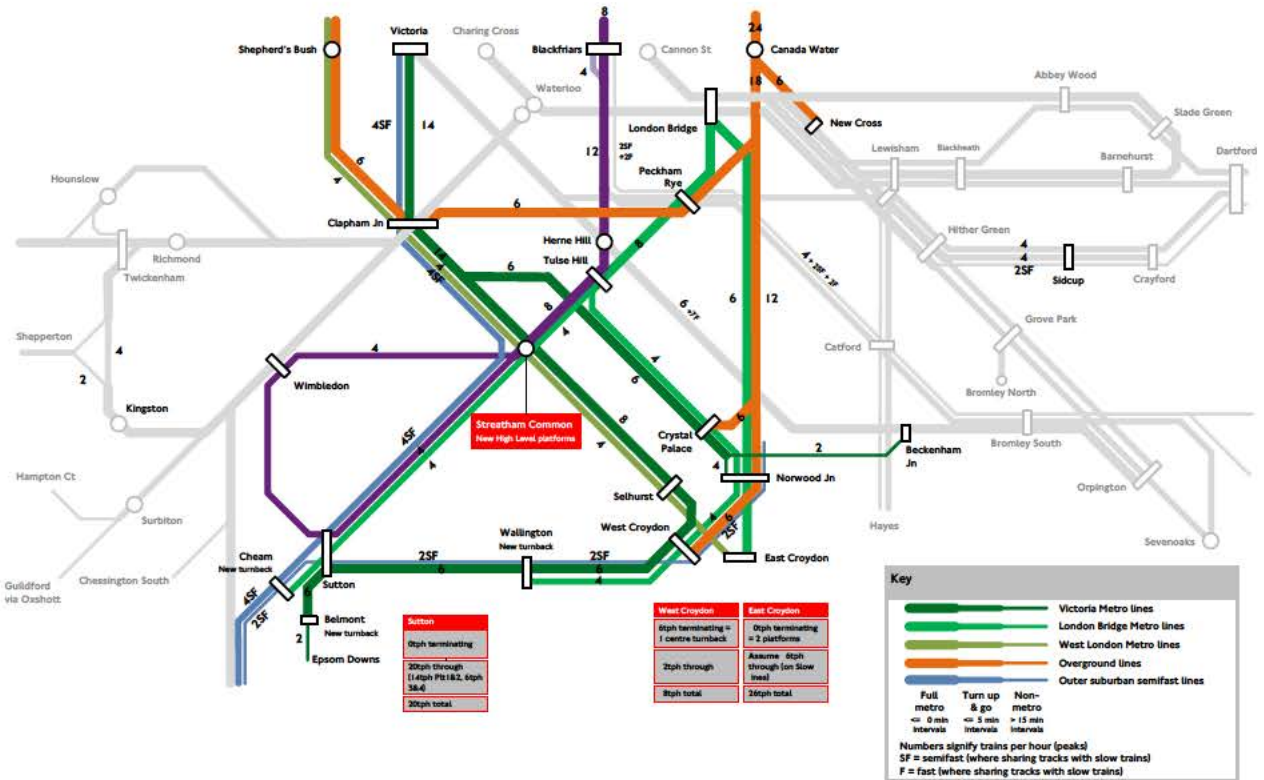


Figure 5: Simplified schematic of current south-east London service frequencies and patterns

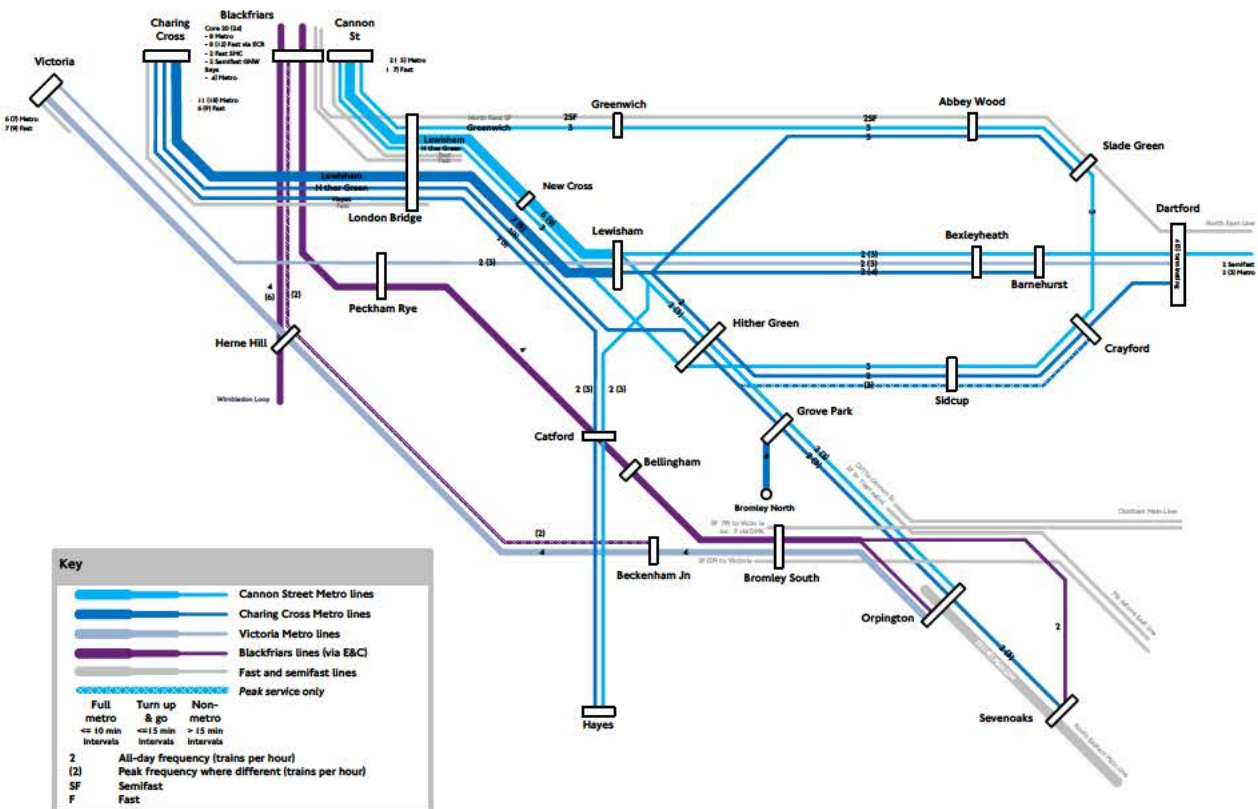
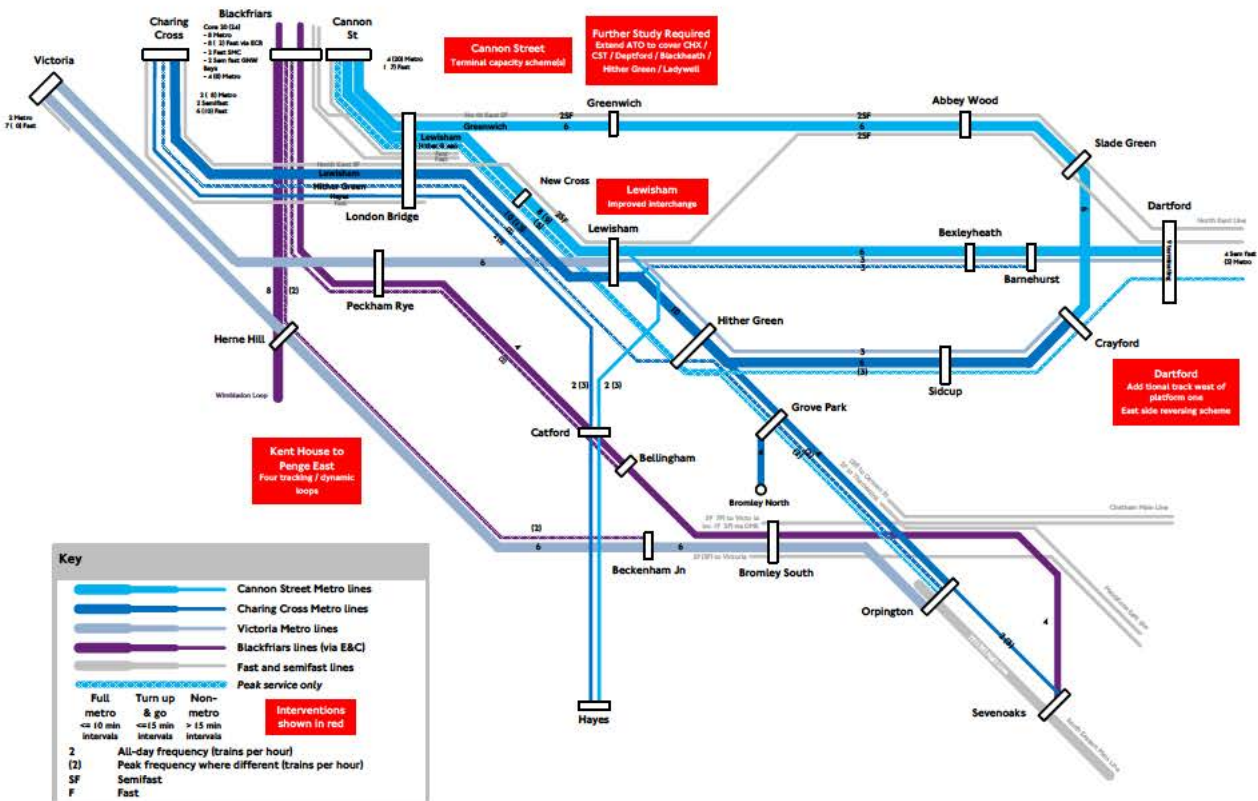


Figure 6: Simplified schematic of future south-east London service frequencies and patterns



2.4 These types of ideas appear in relevant Network Rail route studies (where published). For example it appears on page 108 of the Sussex route study.

3 Why it is only likely if TfL do this?

3.1 TfL is better placed to deliver enhancements such as metroisation than other agencies because it can:

- Prioritise resources, leading to better alignment of overall multi-modal transport decision-making
- Align its transport planning with the GLA and Borough land-use planning, particularly opportunities for house building. This is particularly important in south-east London given the multiple opportunity areas and housing zones with potential for 40k jobs and 42k new homes
- See a direct return to the local economies from better railways, and invest in local railways, even though they are not the most commercially remunerative; and
- Leverage funding from third party sources with the help of the GLA and the London Boroughs, as it has with schemes such as the Hackney Interchange between London Overground and the West Anglia routes

Appendix 6 – More detail on mechanisms to ensure benefits to all passengers

1 The DfT-TfL Partnership

1.1 The Rail Prospectus (*A new approach to rail passenger services in London and the South East*) proposes a Partnership between TfL and the DfT that will enable a strong channel of communication between the two main funding bodies for railway networks in London & the South East.

1.2 Under the proposals, responsibility for inner suburban services that operate mostly or wholly within Greater London would transfer from the DfT to TfL, as current franchises are due for renewal. The DfT will continue to be responsible for outer suburban services. The Partnership would have an overview of all proposals for change such that extra capacity on peak local London services would only be added if there is no negative impact on longer distance services.

1.3 The Partnership would:

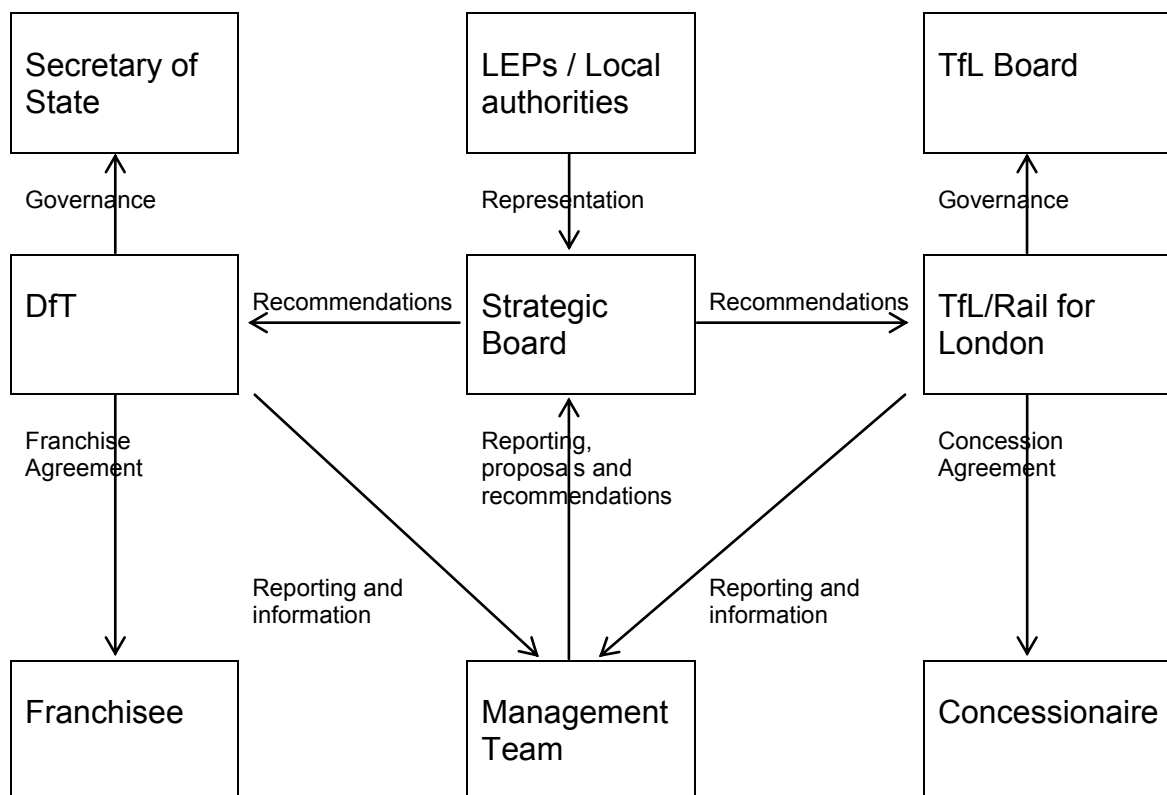
- Provide joined up strategic direction for the specification and management of passenger rail franchises
- Establish new mechanisms for local authorities, Local Enterprise Partnerships and other local bodies to have a direct input into how passenger services are improved, and to help leverage local investment to drive growth
- Work closely with train operators, Network Rail and the supply chain

1.4 Particular areas of work that the Partnership could develop could include the following. The policies that could result from these workstreams would be applied by both TfL and the DfT to the respective services that they are responsible for contracting, bringing benefits to passengers from both London and the rest of the South East.

- Agree common standards for **customer service** including aspects such as staffing, information, command and control protocols and event and closure planning so that the network should feel like ‘one network’
- Agree a harmonised **fares policy** that customers recognise offers value whilst ensuring adequate revenue to allow the partners to continue to improve services
- Define a harmonised **ticketing strategy**, including smartcards as appropriate, with the goal of achieving a single set of retailing policies, particularly on areas such as refunds, concessionary fares, interfaces with ticketing for other modes, including those outside London, and ticket offices
- Undertake **rail strategic planning**, including setting the Partnership’s priorities for funding from the UK-wide HLOS process
- **Sponsorship of projects**, including those for stations, for delivery through TfL, Network Rail, TOCs or others, as appropriate

- Facilitate faster delivery of **customer-service** driven improvement, particularly where change is needed to existing concessions or franchises
- 1.5 To ensure clear lines of accountability, train operators would continue to be appointed by either the DfT or TfL individually, with the contracts conforming to principles established by the Partnership.
- 1.6 DfT and TfL officers have also given thought to possible governance and escalation arrangements, which were discussed with stakeholders in March 2016 (see appendix 8 for further details of this meeting). It is envisaged that the Partnership could be headed by a strategic board made up of equal numbers of DfT and TfL appointees, chaired either on an alternating basis or by an independent individual with recognised stature. Voting arrangements would ensure that decisions would require support from both TfL and the DfT to be adopted.
- 1.7 Local authorities both inside London and from the rest of southeast England could select representatives to the Board, providing a strong voice for local needs and interests for all passengers. The precise role and status of those representatives, and the means by which they are selected and report back to local authorities, would be subject to further consultation with interested stakeholders. The feedback to the engagement exercise undertaken after the Prospectus was published (see appendix 8) provides some ideas in this regard.

Figure 1: Possible governance framework for the Partnership



1.8 The Board would be non-statutory and therefore draw on the active co-operation of TfL and the DfT to make it a success. The bulk of the Partnership's work programme would be carried out by a joint management team comprised of existing officials drawn equally from the two organisations.

2 Safeguarding and benefiting longer distance services

2.1 The Prospectus also contained explicit safeguards on:

- No detrimental effects on fares
- No adverse impacts on the frequency, journey times or stopping patterns of longer distance services to and from London (recognising that current frequencies will need to grow in line with demand)

2.2 Both of these assurances can be met. For Southeastern, an exchange of letters between the Mayor of London and the Leader of Kent County Council of 22 October 2015 has confirmed the latter's acceptance of TfL's assurances on this point, and support for the transfer of suburban services to TfL. A subsequent joint letter of 21 July 2016 from the leaders of Kent, Hertfordshire and Surrey County Councils reconfirms support in the context of the safeguards:

"We would welcome a clear directive from you to your Department reiterating the objectives of the DfT / TfL Rail Prospectus on devolution of rail services, and setting out a clear timetable for the devolution process for each of the franchises affected in each of our respective counties."

2.3 It is important to note that the Secretary of State for Transport will retain the reserve power to strip the Mayor of devolved services if TfL is not meeting its obligations, including with respect to passengers from outside London.

2.4 Beyond the safeguards, the proposals have the potential to bring a range of genuine benefits to users of longer distance services. These include the benefits to passengers in terms of more integrated fares, ticketing, and customer service that could stem from the Partnership's work as set about above. The proposed role for the Partnership in long term strategic planning and project sponsorship, combined with the new mechanisms it provides for input from local authorities and other local stakeholders, could also enable closer alignment of local planning for housing and jobs with investment in the rail network, enabling some of the benefits described in appendix 4 in the context of London to be realised in other parts of the South East too.

2.5 TfL also projects that there will be a knock on reliability benefit to longer distance services. Given the impact that one operator has on another on a complex network, improving the performance of short distance services will also provide benefits to longer distance operators other things being equal. For example, TfL estimates that every 1 per cent improvement in the reliability of inner suburban services will have a small positive impact (0.12 per cent) on Southeastern longer distance services.

2.6 In terms of franchise design, devolution of the inner suburban services to TfL will lead to a better alignment between the residual longer distance franchises and the market they serve, namely longer distance and rural journeys, and the longer

distance operators will therefore be able to focus more strongly on meeting the needs of those passengers. Particularly in the case of Southeastern, the residual franchise will also be more closely aligned with the local authorities covering the key populations it serves, principally Kent County Council as well as Medway and East Sussex Councils. This residual franchise will still be fully viable and will be around mid-table among UK franchises in terms of the comparative number of passenger journeys.

- 2.7 A theme in the “Rail Action Plan for Kent” is the need for faster journey times between London and Kent’s main towns. Potentially the separation of Metro from longer-distance services may facilitate ways to speed up certain longer-distance services (e.g. by omitting St Mary Cray from the Maidstone East line services and Orpington from the Hastings line services).

The role of Network Rail and ORR

- 2.8 The railway industry is well versed in dealing with changing demand for space on the network, including both contraction and expansion. Network Rail has the central role as the independent infrastructure manager. Its decisions are subject to arbitration by the ORR if necessary.
- 2.9 On receiving any proposal for change, it is the network owner, Network Rail, which is tasked with engaging with all train operators who use its track and stations to determine the optimum timetable that makes the most of the available network capacity. This engagement results in an overall timetable of services. Network Rail must follow its Network Code, a common set of rules and industry procedures, in determining a timetable that achieves efficiency and fairness. Where conflicts arise, Network Rail must apply these rules for making decisions between competing bids for paths. These rules are incorporated in the Network Code and are known as the “Decision Criteria”. There are precedents for their successful application.
- 2.10 On Southeastern’s routes into London, for example, there is currently no spare infrastructure capacity, and no means of increasing the use of that capacity, at least in peak periods without construction of new infrastructure. The only decisions that are likely to be required in this instance around the London area of this route will therefore be where capacity has been increased through investment. In this case, the source of funding for investment is usually a key criterion in allocating the new paths created by that investment.
- 2.11 Network Rail, similarly through its Network Code, also retains effective management of unplanned service disruption. When such disruption arises, Network Rail would continue to take overall charge and instruct operators how the timetable should be recovered. Its arrangements are codified in the access agreements each operator signs up to, and it would be possible to expand on these if necessary. Effective collaboration exists across all operators, including between franchised operators and TfL’s Overground, and there is no reason why this would not continue with further devolution.

TfL fares in Kent

- 2.12 Passengers at the TfL stations in Kent will not be forced to pay higher fares as a result of devolution. Dartford is already in zone 8 and will remain so. Dunton

Green, Stone Crossing, Greenhithe, Swanscombe and Northfleet would be brought into TfL zonal system, and treated uniformly with other such zonal fares. These stations would newly accept pay as you go Oyster ticketing. Fares from major stations such as Sevenoaks and Gravesend on flows to London will continue to be set by the DfT-franchised train operator just as they are now. This is exactly the same as the current situation at Watford Junction, served by London Overground, but where fares are set by the DfT franchisee London Midland.

Appendix 7 – Mechanism of separation and keeping DfT financially neutral

- 1.1 It is assumed in the business case that at the point of devolution of services, they will transfer in such a way as to apportion current costs and revenue where they fall, holding the DfT harmless in net cost terms. Enhancements to services would then be for TfL to fund, developed as part of its overall business plan. Experience has shown that enhancements have a very good business case. Specific improvements would be considered on a case by case basis for investment decision.
- 1.2 This proposal does not consider any costs and revenues associated with plans to enhance rail network infrastructure to improve capacity more generally within London and the wider South East region. TfL is well placed to work with local authorities, developers and other bodies to leverage local investment to deliver local enhancements. Major investment is controlled by Government and subject to regulation by the Office of Rail and Road. TfL will be working with Network Rail and other industry bodies to contribute to priorities for railway Control Period 6 prioritisation.
- 1.3 This appendix describes in more detail the process as it related to the transfer of West Anglia inner rail services between Enfield Town/Chingford/Cheshunt via Seven Sisters to Liverpool Street and Romford to Upminster. The date of transfer was 31 May 2015.
- 1.4 TfL began a joint programme of work about 21 months prior to the transfer with DfT and Abellio Greater Anglia (AGA) to undertake the separation of the WAI services from the Greater Anglia franchise and the provision of resources required to run these devolved services.
- 1.5 A first step is to identify the passenger services and associated resources that are being transferred to the new inner suburban entity from those which remain with the longer-distance operator. Joint work between the incumbent, the DfT and TfL identified the precise rolling stock, stations, staff, rolling stock maintenance depots, stabling, crew depots, management / HQ resources, staff accommodation and other physical resources required to operate reliably each set of services.
- 1.6 A Virtual Separable Business Unit (VSBU) for the transferring services and their associated resources was established on 6 January 2014 by AGA so that the relevant revenues, costs and performance data in AGA's management accounts could be separated and understood by all parties. This would then identify the financial impact of the transfer on TfL and DfT (the level of subsidy to be either paid by DfT to TfL or vice versa) and inform a grant memorandum and terms of transfer. The financial settlement lasts until the next general comprehensive spending review when overall grant for TfL is re-adjusted from April 2016.
- 1.7 The main areas that proved worthy of scrutiny in the process included:
 - Estimating the pension deficit liability

- Head office and support costs, specifically certain head office and support costs (such as sales & marketing, human resources, information technology) which are tricky to allocated unambiguously to one part of the business or the other
 - Appropriate division of FTAC
 - Impact of changes to access charges between control periods
 - Incorporation of an appropriate proportion of the operator profit margin
 - residual franchise costs where such costs can be demonstrated to increase following devolution
- 1.8 Hence the cost estimate from the VSBU was overlaid by various modelled calculations such as:
- Impact of Control Period 5 (CP5) access charge rates, as historic data being based on CP4 rates
 - TfL contribution to the transferring share of pension deficit which crystallises on transfer
 - Operator margins
 - Adjustments for station maintenance and renewals, which are not included due to the unusual 99-year station leases agreed between GA and Network Rail
 - Future financial commitments e.g. higher train leases associated with works to ensure DDA compliance of the current rolling stock
- 1.9 A 'terms of transfer' document records the basis on which responsibility for the WAI services were transferred to TfL. This includes a statement of permanent handover to TfL (although the Secretary of State would retain the right to strip the Mayor of devolved services if TfL is not meeting its obligations); the process by which consents will be achieved, identification of prescribed Network Benefits which TfL must continue to secure from its operator e.g. membership of ATOC and participation in industry agreements; operator of last resort obligations and provision of information by TfL.
- 1.10 This same method can be used to separate the inner suburban services and their resources for other parts of the inner suburban network, starting with services in southeast London. This process is in any case well understood for the many franchise re-mapping processes that the DfT have undertaken since the franchising system was set up in the 1990s.
- 1.11 Work to date with the incumbent Southeastern operator has identified a workable means to separate the rolling stock, stations and rolling stock maintenance depots. Where resources need to be shared, there are precedents for trading between entities, just as Southeastern trades today with adjacent operators such as GTR.

Appendix 8 – Rail Prospectus: Summary of Engagement Responses

1 Summary

- 1.1 'A new approach to rail passenger services in London and the South East' (the Rail Prospectus) was launched by the Mayor and Secretary of State on 21 January 2016. A period of engagement ran until 18 March, giving stakeholders eight weeks to feed back their views.
- 1.2 The Prospectus posed six questions to focus respondents in their feedback.
- 1.3 198 written responses were received. In addition, engagement events were held with two key stakeholder groups: MPs; and local authorities and Local Enterprise Partnerships (LEPs).

Table 1: Summary of engagement responses

Stakeholder	Respondents
Politician / political group	24
MP – 12	
AM – 6	
Local councillor / political group - 6	
Local passenger group	17
Rail user (individual)	84
Train Operating Company (TOC)	3
Local authority / LEP	40
Trade Union	3
Freight representative	5
Larger passenger representative organisation	8
Rail industry stakeholders (Network Rail, Siemens etc)	5
Other	9
TOTAL	198

- 1.4 In the main, respondents viewed the proposals positively, with 74 per cent supporting in principle the establishment of a TfL-DfT Partnership to drive improvements for rail passenger services and the transfer of inner suburban services to TfL. Eight per cent expressed significant reservations, with the remainder not offering an opinion.
- 1.5 A number of assurances were sought by respondents, with the top three being:
- Sound governance arrangements must be put in place. These should represent the needs of London versus the rest of the South East region fairly (democratically); provide a formal role for local authorities, LEPs and passengers, in order to influence contract specifications; ensure no ambiguity about who is responsible for what; and provide for a transparent decision-making process for showing how limited resources are prioritised / conflict will be resolved

- No detrimental effects on fares
- No adverse impacts on the frequency, journey times or stopping patterns of longer distance services to and from London (recognising that current frequencies will need to grow in line with demand)

2 Introduction

2.1 On 21 January, the previous Mayor and previous Secretary of State announced proposals for a new era of rail travel for London and the South East. The Rail Prospectus, jointly penned by the DfT and Transport for London, proposed significant changes to the way passenger rail services are managed in London and the South East, to achieve a future with better, more regular and more reliable train services.

2.2 There were three key proposals:

- A DfT-TfL Partnership to provide strategic direction for rail passenger services in London and the South East
- New mechanisms for LEPs and local authorities to input
- Transfer of responsibility to TfL for inner suburban services, as current franchises fall due for renewal

3 Methodology

3.1 Views on the proposals were sought during an eight week engagement period, which ran from 21 January until 18 March 2016.

3.2 Views were expressly sought from local authorities, LEPs, elected representatives and other interested stakeholders.

3.3 The proposals attracted widespread coverage in the media, with the Prospectus available to view and download on the TfL and DfT websites. Letters or emails alerting stakeholders to the engagement period were sent to all local authorities, LEPs and MPs in London and the South East. In addition, a copy of the Prospectus was emailed to Members of the House of Lords with a known transport remit, to passenger user groups and to a range of other industry stakeholders.

3.4 Respondents were asked to send their comments to a railprospectus@tfl.gov.uk inbox, or to send them by post. Although TfL was responsible for receiving the comments, all responses were shared immediately with the DfT.

3.5 To help focus discussion, the Prospectus posed six questions that respondents were asked to consider:

- Do you agree with the principle of a Partnership to better integrate the specification of rail passenger services across London and the South East?
- Do you agree with the principles that the Partnership will work to? Are there any specific issues that have not been captured?

- Do you agree with the proposed governance arrangements?
- What form do you propose the input from local authorities and LEPs could take?
- Do you agree with the safeguards for transfer of inner suburban services to TfL, as set out here?
- Are there other outcomes you might expect to see achieved?

Engagement events

- 3.6 In addition to inviting written submissions, engagement events were held with two key stakeholder groups.
- 3.7 On 10 March, MPs from London and South East were invited to a meeting in Parliament to discuss the proposals in more detail. It was hosted by the then Rail Minister Claire Perry along with officials from the DfT and TfL. The meeting was attended by 21 MPs or members of their staff.
- 3.8 On 11 March, a meeting for local authorities and LEPs was held at the DfT’s Marsham Street headquarters. It was jointly hosted by Peter Wilkinson (Managing Director, Passenger Services, DfT) and Gareth Powell (Director of Strategy London Underground & Chief Operating Officer London Rail, TfL). The session provided an opportunity to air concerns, ask questions and discuss potential governance arrangements to ensure meaningful representation of local authority and LEP views once the Partnership is established. 26 local authorities / LEPs were represented.
- 3.9 Discussion from these sessions is reflected in this summary report of feedback.

4 Addressing the feedback

- 4.1 The following table summarises how the feedback on each of the questions has been addressed.

Table 2: Addressing the feedback

Question	Addressed
1	With regard to the assurances sought on the Partnership’s governance and processes, more information is provided in appendix 6. Once the current Secretary of State agrees to the establishment of the Partnership TfL envisages undertaking further joint work to develop governance arrangements and processes, including further consultation with interested stakeholders. With regard to the objections, TfL believes that the Partnership offers a means to overcome fragmentation and differences of approach, and that a statutory basis is not needed. TfL does not propose the nationalisation of any rail services.
2	Appendix 5 sets out the importance of addressing bottlenecks and how rolling stock can be better specified to meet the needs of different types of services. Regarding fares, the Prospectus stated that paying

	for travel should be simpler and more integrated, and this is something the Partnership could work on. TfL is clear there would be no negative impact on fast and semi-fast services, and the safeguards for this and also measures with regard to freight are set out in appendix 6.
3	Appendix 6 provides more information about how the governance of the Partnership could be structured to ensure balanced and meaningful representation and clear processes. Appendix 6 also sets out how longer distance services will be safeguarded. Further operational and financial detail is provided throughout this document and its attachments, and once the Secretary of State formally approves the proposals TfL would work with the DfT to develop this further.
4	More detail on possible mechanisms for local representation is provided in appendix 6. Once the Secretary of State agrees to the formation of the Partnership TfL envisages working with the DfT to develop these further, including undertaking further consultation with interested stakeholders.
5	Further detail about the safeguards is set out in appendix 6.
6	Some of these proposals are addressed in this document including appendices 2 and 5. Where relevant they will be taken into account by TfL when planning for its future operating concessions, and they can also form the basis of particular areas of work to be undertaken by the Partnership.

5 Positions of key stakeholder groups

- 5.1 In the main, respondents viewed the proposals positively, supporting the establishment of a TfL-DfT Partnership to drive improvements for rail passenger services and the transfer of inner suburban services to TfL. A small number were against the proposals.
- 5.2 **Political representatives:** Submissions from MPs, in the main, sought more detail on what the proposals would mean for their own areas, for example where the boundary of TfL transfer would be drawn and whether their constituents would benefit. Many MPs from both London and other parts of the South East were supportive in principle Two Kent MPs were opposed.
- 5.3 **Local authorities and LEPs:** Submissions from this group were largely positive, or neutral seeking assurances on safeguards for longer distance services and a role in the governance arrangements to affect contract specification, specifically. These issues were also raised at the local authority/local enterprise session on 11 March, and feedback from written submissions about the event and the assurances given on that day, were positive.
- 5.4 **Passenger representative organisations:** In the main, passenger groups welcomed the proposal for TfL to take over suburban passenger rail routes in their submissions, often citing the higher levels of customer service offered by London Overground as a strong benefit. Organisations wanted more detail on how the proposals will affect their own lines and those from outside London sought assurances that their voice would be heard.

- 5.5 **Rail users (individuals):** Written submissions from rail users largely focused on the proposal that inner suburban services should transfer from the DfT to TfL. Respondents took the opportunity to express their dissatisfaction with current train operators and welcomed the possibility of more London Overground-style services in their area. Many respondents wanted more information about what the proposal could mean for their local area.
- 5.6 **Train Operating Companies:** Submissions from TOCs identified a number of perceived risks with the proposals and asked that a full business case for the transfer of services is shared with stakeholders. There was agreement in principle with the idea of a Partnership but some concerns about the proposed governance arrangements.
- 5.7 **Trade Unions:** Trade Unions made the case for nationalisation of the railway in their submissions. In the main, they recognised the value of improved partnership working and the success of London Underground. Assurances were sought that no driverless trains would be introduced.
- 5.8 **Freight representatives:** Submissions from freight representatives welcomed the proposal for improved partnership working between TfL, the DfT and Network Rail and sought assurances that the needs of freight would be recognised with no adverse implications on their access to train paths.

6 Analysis of responses

Question 1: Do you agree with the principle of a Partnership to better integrate the specification of rail passenger services across London and the South East?

- 6.1 112 of 198 respondents addressed this proposal. 104 were in favour of a Partnership to ensure a joined up approach to the strategic direction for the specification and management of rail passenger services in London and the South East.
- 6.2 The general view was that a Partnership “...will bring benefits quicker than would otherwise be the case” (Streatham Action), and that a Partnership, for the reasons outlined in the Prospectus, seemed an appropriate and sensible approach.

“Yes. Train services do not follow political boundaries and passengers want to be able to travel to, from and within London and the South East. So it makes absolute sense for DfT and TfL to plan in tandem to ensure that the needs of all passengers are considered to the widest possible extent” (Transport Focus).

- 6.3 Whilst the majority of respondents answering this question agreed, wholly or in principle, with the idea of a Partnership to progress rail improvements, a number of assurances were sought:
- Sound governance arrangements to be put in place:
 - to represent the needs of London versus the region fairly (democratically)
 - with a formal role for local authorities, LEPs and passengers, in order to influence contract specifications

- ensuring no ambiguity about who is responsible for what
- A transparent decision-making process for showing how limited resources are prioritised
- More detail on how a suburban metro boundary will be determined
- A mechanism must be put in place for resolving conflict
- The role of Network Rail in the Partnership (or the Partnership’s working relationship with Network Rail) should be clarified, with respondents recognising that a significant percentage of delays are the result of Network Rail infrastructure failures

“It will be vital for the partnership’s credibility that [it] will provide for LEPs, local authorities and other local and regional bodies such as Railfuture, is inclusive, responsible and capable of behaviours akin to an “intelligent client” (Railfuture)

6.4 Four of the 112 respondents who answered this question were against the proposal for a TfL-DfT Partnership, citing points including: the risk of fragmentation; fundamental differences of approach between TfL and the DfT; a need for it to have a statutory basis; and a preference for nationalisation.

Question 2: Do you agree with the principles that the Partnership will work to? Are there any specific issues that have not been captured?

6.5 96 out of 198 respondents addressed this proposal. In the main, respondents agreed with the principles outlined in the Prospectus. Some respondents identified additional issues that they felt should be addressed by the Partnership.

6.6 Specific issues that respondents felt were not captured included:

- The Partnership should address problem of bottlenecks
- Fares should be considered (simple fares structure that does not impose structures restrictions between choice of operator)
- Ensuring new train stock is appropriate to need (longer distance versus suburban)
- Semi fast and fast services should not be curtailed
- Preserving and enhancing the needs of freight needs to be explicit

“I agree with the proposed principles” (rail user)
“I welcome the explorations of ways to simplify fares and ensure that fares are kept as low as possible” (Joanne McCartney, London Assembly Member)
“It is critical that the needs of rail freight are included in this assessment, and that the important part that rail freight plays in London is recognised” (Brett Aggregates Freight)

Question 3: Do you agree with the proposed governance arrangements?

- 6.7 137 of 198 respondents addressed this question. 74 of 198 respondents agreed with the proposed governance arrangements, with a further 41 agreeing in principle should assurances be provided on a range of issues.
- 6.8 In the majority of these responses, support was focused on the proposal to transfer inner suburban services to TfL. Individuals, in particular, are supportive of this approach as they believe it will lead to service improvements, increased frequencies and better customer services. Many cite the success of London Overground and are excited at the prospect of similar services being available to them at their local stations.

“I very much welcome these changes - great news!” (Rail user on South West Trains)

- 6.9 Responses from local authorities, LEPs and other formal bodies tended to focus on the governance structures that will be established to progress the aims set out in the Prospectus – for example the TfL-DfT Partnership and structured means for stakeholders to engage with the work of the Partnership.
- 6.10 Assurances sought included:
- Views of longer distance users must be heard and detail is needed on *“the mechanism by which views are taken into account by the partnership”* (Kent County Council).
 - A meaningful role for local authorities, LEPs and rail users is needed (the latter potentially represented by London Travelwatch and/or Transport Focus)
 - A mechanism for dealing with disputes, to establish a fair process for trade-off between different views
 - A way for decisions to be scrutinised

“I is also essential that TfL and the DfT act as equal partners to ensure one group of users does not benefit at the expense of others” (Chartered Institute of Logistics and Transport)

“It is vital that the proposed Rail Partnership provides a deeper level of engagement with London’s local authorities than currently exists in the DfT franchising process” (London Councils)

“It is anticipated that there is very unlikely to be sufficient infrastructure provided for everyone’s aspirations to be met in full and hard choices about priorities are going to have to be made” (M3 LEP)

- 6.11 22 respondents disagreed with the proposed governance arrangements and 11 felt unable to comment due to a lack of detail and clarity on what the governance arrangements will be.
- 6.12 Of the 22 respondents who were concerned with the governance approach, the reasons cited included:

- Concern that increasing suburban metro frequencies will be to the detriment of longer distance routes
- A perceived lack of accountability for those who live outside of London (with no vote for the Mayor of London)
- Belief that only the establishment of a sub-National Transport Body / Transport Authority can ensure the needs of the South East region are democratically represented
- Concern that the views of passengers will be excluded
- Concern that economies of scale will be lost or that the Partnership will fragment the industry
- Lack of financial and operational analysis to support the proposals

Question 4: What form do you propose the input from local authorities and LEPs could take?

- 6.13 87 of 198 respondents addressed this question. In the main, the respondents were formal organisations: local authorities, local authority partnerships, LEPs, rail passenger groups, transport organisations and industry partners.
- 6.14 The majority of respondents were absolute in their belief that local authorities and LEPs should play a meaningful role in the Partnership and be provided with opportunities to meaningfully influence the direction of the Partnership's work.
- 6.15 There were a range of proposals as to how this could be achieved, including:
- A whole-region advisory panel for all interested local authorities and LEPs to be part of (meeting annually or bi-annually); with,
 - Smaller, nominated representation on the Partnership Board (no express views were given on the expectation of voting rights)
 - Regional or franchise routes sub-committees (evenly weighted for London and out of London)
 - Manageable Board representation could be achieved via umbrella organisation representation, for example by London Councils and their equivalents in the South East and East of England
 - Ensuring their role allows local authorities and LEPs influence over contract specifications, bid award decisions and ongoing performance management during the life of a contract
 - Providing a way for passenger groups to feed into the advisory panel, potentially through bodies such as London TravelWatch and Transport Focus
 - Ensuring a mechanism for dealing with disputes and conflicting priorities is agreed

“KCC regards representation of local authorities at Board level (or at whatever instrument of governance is adopted) as essential to ensuring that the interests of our county’s rail passengers, and similarly those of other non-London authorities, are properly represented (Kent County Council)

“There needs to be robust and formal consultation with these bodies at regional level and in a way that does not present a fait accompli. It then needs to result in an agreed way forward through which services are specified and funded in an equitable way, as well as the processes by which local authorities and LEPs can input, and where practical, invest in or fund further enhancements” (Abellio Greater Anglia)

“To extend direct involvement to multifarious other bodies is likely to make the whole process unwieldy and extend timescales unnecessarily” (National Rail Executive)

“They [local authorities and LEPs] should not be involved in routine contract management issues” (Rail Delivery Group)

6.16 Whilst nearly all respondents wanted a strong voice for local authorities / LEPs in the Partnership, others gave alternative ways this could be achieved or provided caveats for local authority/LEP representation:

- South East interests could be represented by a new TfL Board member
- Local authority/LEP representation should come with a requirement that they bring budget to the table
- Creating a sub-National Transport Authority to devolve transport divisions for the South East would ensure a democratic partner for TfL
- Local authority/LEP representation should be structured around mainline termini, rather than lines
- The Rail North model should be replicated

6.17 Approximately a third of respondents stated that the views of passengers should be formally represented in governance arrangement, either through ongoing consultation opportunities on individual contract specifications / the management of contracts or via appropriate representation on the Partnership Board.

Question 5: Do you agree with the safeguards for transfer of inner suburban services to TfL as set out here?

6.18 98 out of 198 respondents addressed this proposal. The majority of respondents were satisfied with the safeguards set out but wanted them to be more explicit, particularly with regard to safeguarding journey times.

6.19 A small number of respondents expressed some scepticism at how longer distance services could be protected if London suburban metro frequencies are to be increased.

6.20 Respondents noted a number of additional safeguards they would like to be considered:

- No detrimental effects on fares
- No detrimental effects on journey times
- The 'no adverse impacts on frequency, journey times' assurance should refer to existing and future services
- An additional safeguard should be trains should never operate without a driver, and TfL should keep ticket offices open
- The ability for passengers to continue buying tickets which exclude underground and buses

“As part of any amendment to the existing fares settlement, consideration must be given to the potential for perverse outcomes of changes, which may include passengers changing their travel habits to cheaper or faster services, which can exacerbate existing overcrowding issues” (Brent council)

“We agree that in principle that there should be no adverse impacts on the frequency, journey times or stopping patterns of longer distance services to and from London” (East Surrey Transport Committee)

“Journey times should not be adversely affected, and where possible improved through better timetabling and stopping patterns” (Sutton Council)

Question 6: Are there other outcomes you might expect to see achieved?

6.21 97 of 198 respondents addressed this question. A number of respondents identified other outcomes they would like to be achieved. They included.

6.22 Service improvements:

- Improved punctuality
- A Boxing Day service on all lines within the zones and all night service to strategic locations in the outer boroughs
- Interchanges at Old Oak common are too complex and need to be addressed
- Better use of technology and real time information for passengers across the region

6.23 Station improvements:

- Station parking appropriately managed
- Improved safety and security
- Staffing of all stations at all times in London from first to last trains

6.24 Rolling stock:

- A balance of train types to support needs of longer distance versus suburban rail passengers (e.g. toilets)
- Wifi retrospectively fitted on all trains

6.25 Partnership working:

- An analysis of how TfL and Network Rail work together in developing plans for Crossrail 2
- Network Rail to be made more accountable

6.26 Fares and ticketing:

- Evolution of delay repay function to apply from 15 minutes instead of 30
- New ticketing technology to be fully available across London and the South East
- Extension of Oyster (e.g. to Kent)
- Oyster problems to be resolved at all stations
- Zoning review (e.g. Dartford should be closer than zone 8)

Appendix 9 – Lessons learnt from West Anglia transfer

This appendix describes the main lessons learnt by DfT and TfL in transferring the contracting authority over the two years between 2013 and 2015.

- 1 Lesson learned 1 - Need to capture the high-level milestones from the various working level programmes as an aid for tracking progress.
- 2 Lesson learned 2 – Need earlier level of surety on costs. West Anglia suffered due to the unforeseen protracted nature of commercial negotiations that took longer than anticipated. Ideally the costs would have been agreed earlier and that would have given the parties the confidence to press ahead.
- 3 Lesson learned 3 – Need to take account of long lead times for both rolling stock and train drivers, and plan well in advance.
- 4 Lesson learned 4 – Need to identify staff availability for post transfer operations, including rosters and rest day working requirements. This requires working with staff unions to prevent under resourcing and service problems.
- 5 Lesson learned 5 – Consider a longer period of shadow running to identify fleet and driver issues as early as possible. It was noted there would be associated risks and liabilities that the parties would have to accept. Crossrail endorsed the need for a robust period of parallel running ahead of service transfer. A shadow business unit on Crossrail did not really take shape.
- 6 Lesson learned 6 – Take proper account of resource required, particularly within the incumbent TOC, to effect the transfer of services. Having a common transfer date for both Crossrail and West Anglia put a strain on AGA resources. The TOC too needs to properly evaluate resource requirements. This needs to be undertaken as early as possible to ensure transfer dates are realistic and achievable.
- 7 Lesson learned 7 – ensure all obligations in any Sponsor’s or other high-level agreements are included in relevant Franchise Agreements to avoid problems and conflict. This did not happen on Crossrail where the Franchise Agreement did not reflect the Sponsor’s Agreement.
- 8 Lesson learned 8 – establish a data site like those prepared for change of franchisee. This would help the TOC taking over the services have a clearer understanding of the information available much earlier and reduce misunderstandings. This lesson should be considered for Crossrail west London services.
- 9 Lesson learned 9 – have a small project team with a clear set of objectives. This worked well on West Anglia, with weekly meetings along with good attendance from the key delivery partners. This helped the relationship between the parties. On Crossrail the objectives were different and less effective with DfT and TfL sometimes unsighted on issues as the TOCs were dealing direct.

Appendix 10 – Letters of support

- 1 Cllr Paul Carter CBE (Leader, Kent County Council); Cllr Robert Gordon (Leader, Hertfordshire County Council); Cllr David Hodge (Leader, Surrey County Council) – 21 July 2016
- 2 Bob Neill MP; Steve Reed MP (Co-Chairs of the APPG for London) – 4 July 2016
- 3 Cllr Claire Kober OBE (Chair of London Councils and Leader of Haringey Council), Cllr Teresa O’Neill OBE (Leader of Bexley Council) and Cllr Ruth Dombey OBE (Leader of Sutton Council) – 14 October 2016
- 4 Caroline Pidgeon AM (Chair, London Assembly Transport Committee) – 13 September 2016
- 5 John Lewis (Executive Director Thamesmead, Peabody) – 14 October 2016
- 6 Ruth Duston (Managing Director, Primera Corporation) – 13 October 2016
- 7 Ben Stephenson (Chief Executive, We Are Waterloo BID) – 13 October 2016
- 8 Russ Shaw (Founder, Tech London Advocates) – 13 October 2016
- 9 Faryal Velmi (Director, Transport for All) – 13 October 2016
- 10 Ruth Owen OBE (Chief Executive, Whizz Kidz) – 13 October 2016
- 11 Cllr Paul Carter CBE (Leader, Kent County Council) – 22 October 2015



Paul Maynard MP
Under Secretary of State for Transport
Department for Transport
Great Minster House
76 Marsham Street
LONDON
SW1P 4DR

Paul Carter
Leader of the Council
Sessions House
County Road
Maidstone
ME14 1XQ

21st July 2016

Dear Paul

RAIL PROSPECTUS AND DEVOLUTION OF RAIL SERVICES

We are writing to you as the Leaders of the three county transport authorities of Kent, Surrey and Hertfordshire to express concern at the slow progress that appears to have been made in activating the Department for Transport (DfT) / Transport for London (TfL) Rail Prospectus for the devolution of rail services in Greater London.

You will be aware that this Rail Prospectus was published in partnership by your Department and TfL in March 2016, and that it supported the concept of gradual devolution of those rail services in each of our respective franchise areas which operated exclusively, or mainly, within the Greater London area. The reason for expressing our concern at this time is that the first of the franchises which could be affected by such devolution, SouthEastern, is fast approaching the period of public consultation, with Govia Thameslink Railway due to follow after.

It would appear to us imperative that a clear decision is made prior to the commencement of these, and subsequent, franchise consultations, to ensure that there is clarity about the scope of each new franchise. We all wish to support the principle of such devolution provided that there are strong safeguards in place to protect the interests of our respective counties' rail passengers, but we all need an assurance from the Department as to the scope of each franchise before its consultation process commences. We will then need to bring it to each of our Councils to seek their views.

We would welcome a clear directive from you to your Department reiterating the objectives of the DfT / TfL Rail Prospectus on devolution of rail services, and setting out a clear timetable for the devolution process for each of the franchises affected in each of our respective counties.

We look forward to working with a strong partnership ethos between each of our county transport authorities, the DfT and TfL to ensure that the very best rail services are delivered, for rail passengers from our counties and for those in Greater London. The principle of supporting a more joined up approach and enhanced working arrangements with key agencies supports our own aspirations for greater collaboration and / or devolution over transport.

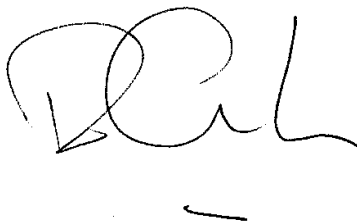
Yours sincerely



Paul Carter CBE
Leader, Kent County Council



David Hodge
Leader, Surrey County Council



Robert Gordon
Leader, Hertfordshire County Council

cc. Mr Sadiq Khan, Mayor of London



HOUSE OF COMMONS
LONDON SW1A 0AA

The Rt Hon Patrick McLoughlin MP
Secretary of State
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

4 July 2016

Dear Patrick,

As Co-Chairs of the APPG for London, we are writing to support the suburban rail devolution package set out in January in your Department's rail prospectus, which would effectively see the responsibility for passenger rail transferred to the Mayor of and Transport for London (TfL).

We believe that the needs of our fast-growing and dynamic capital means it is vital that the rail network adapts and develops to reflect the evolving challenges it faces. We remain convinced that TfL, acting as the contracting authority for suburban rail services in London, can bring about positive and tangible changes for rail passengers in the capital, at the same time delivering a higher quality, more resilient network, as well as increased value for money.

While we appreciate that key decisions around the refranchising of schemes are forthcoming, a swift decision and concrete plan of how these proposals will be taken forward would be welcomed by all, not least of all our constituents. We are sure that the joint regional approach set out in the prospectus offers vast and unrivalled opportunities across London, and hope progress can now be made as soon as possible.

We would be incredibly grateful if your officials were able to keep us informed of your decision going forward, and we would, of course, be very happy to meet with you if you deem it useful.

Yours ever,

Bob Neill MP

Steve Reed MP

The Rt Hon Chris Grayling MP

Contact:

Katharina.winbeck@londoncouncils.gov.uk

Secretary of State
Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

14 October 2016

Dear Chris,

We would like to express our continued support for the devolution of more suburban rail services to the Mayor and Transport for London (TfL), as outlined in the joint Government, Mayor and TfL rail prospectus published in January 2016.

We believe that further devolution of inner, suburban rail services within London will deliver more reliable and integrated services for passengers, as demonstrated by TfL through the transformation of the London Overground services in recent years. Additionally, we support the move to enable more effective planning and delivery of a truly integrated public transport system in London.

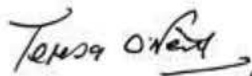
We welcome the proposal to form an overarching partnership between TfL and the Department for Transport with strong mechanisms for local authority input into the franchise specification as they become available. It is critical that London's rail network changes, improves and responds to significant population increases plus meeting passengers' reasonable expectations for high quality and frequent rail services. This is particularly true in parts of south and south east London where the tube network is not as developed as in other parts.

We understand that key decisions to enable the devolution of the southeast London inner service are required imminently and we are keen that this opportunity is not missed and the appropriate steps are taken to make this happen.

Yours faithfully,



**Cllr Claire Kober OBE
Chair of London Councils
Leader of Haringey**



**Cllr Teresa O'Neill OBE
Leader of Bexley**



**Cllr Ruth Dombey OBE
Leader of Sutton**

cc. Paul Maynard MP
cc. Sadiq Khan, Mayor of London

LONDON ASSEMBLY

Caroline Pidgeon MBE AM, Chair of the Transport Committee

London Assembly
City Hall
The Queen's Walk
London SE1 2AA

13 September 2016

Rt Hon Chris Grayling MP
Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Dear Secretary of State,

Devolving rail services in London

I wrote to your predecessor, Patrick McLoughlin MP, in July on behalf of the London Assembly Transport Committee to request an update on plans for the devolution of suburban National Rail services to the Mayor and Transport for London. I would be grateful if you were able to write to the Committee with a response.

The Transport Committee called for devolution in 2015 and in our report, *Devolving rail services to London: Towards a South London Metro*, set out practical steps towards achieving this aim.

The arguments in favour of devolution are very strong. There is cross-party consensus behind this reform, and it is supported by a large majority of rail passengers in London. The benefits that could be delivered by devolution include:

- **Higher capacity:** TfL has invested in longer and more frequent trains on the London Overground, reducing crowding significantly.
- **Better reliability:** TfL has increased the proportion of trains running on time on the London Overground, enabled by strong performance management and incentives for the operator.
- **Integrated fares:** By integrating rail services with the fares regime for TfL services, passengers can expect simpler and cheaper fares.
- **Better accessibility:** TfL would improve station design and increase the number of station staff to allow a turn-up-and-go service for disabled passengers.
- **Economic development:** As part of the GLA Group, TfL can coordinate its investment in the rail network with wider strategies for the development of London's economy.

- Stronger accountability: Passengers will know they can hold the Mayor of London directly to account for their rail service.

The Committee warmly welcomed the prospectus published by the Department for Transport in January 2016, *A new approach to rail passenger services in London and the South East*, with London's previous Mayor, as the starting point for further devolution.

The next opportunity for transferring suburban rail services to TfL comes with the end of the South Eastern franchise in 2018. However, at the present moment it is not clear to the Committee or to rail passengers in London what steps have been taken towards devolution of these services. Passengers in south London and areas outside the capital expect to see the Government acting on the plans it set out. Two months on from our first letter expressing this concern, the lack of communication is even more worrying.

Furthermore, we have also seen service performance on Southern Railway decline in recent months. The introduction of an emergency timetable, in an effort to improve reliability, has resulted in cuts to rail services in south London and beyond. The impact on passengers is completely unacceptable and the Government has to take action to resolve this situation without delay. We strongly believe that devolution to TfL, plus major investment in infrastructure, is a vital long-term solution. We therefore urge you to devolve Southern's suburban services to TfL as soon as practical.

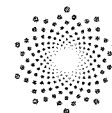
I would like to request a full update from you on plans for rail devolution in London. I would appreciate a response at the earliest opportunity, copying in the Committee's scrutiny manager on [REDACTED]@london.gov.uk.

I look forward to future discussions on this topic.

Yours sincerely,



Caroline Pidgeon MBE AM
Chair, Transport Committee



PEABODY

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www.peabody.org.uk

The Rt Hon Chris Grayling MP
Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

14 October 2016

Dear The Rt Hon Chris Grayling,

Peabody letter of support for the devolution of suburban rail services to TfL

Peabody is one of London's oldest and largest housing associations. We have been serving Londoners for over 154 years and we currently own and manage 29,000 homes in the capital with a development pipeline of 8,000 homes across London. We are ambitious to achieve more for London and contribute to the Government's ambition of 1 million new homes.

Securing a sustainable future for London and the surrounding areas will depend on creative solutions, such as greater integration in the design and provision of key infrastructure, especially housing and transport. As such, we fully support the business case for the devolution of inner suburban rail services to Transport for London (TfL). The impact of the proposal will improve transport connections and services for those living in London and a wide area beyond.

The proposal provides huge opportunities to support a significant increase in the development of new homes, particularly in those places with the potential to support higher densities.

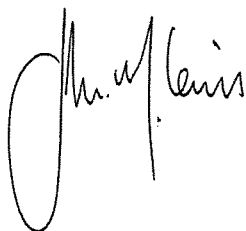
One such development opportunity is in Thamesmead, south east London. Peabody has long-term plans for the regeneration of this area, which has the potential to support an additional 15,000 – 20,000 homes for Londoners. A key enabling factor in this has been political support for improvements to transport infrastructure – such as the arrival of Crossrail to Abbey Wood, a planned DLR extension from Gallions Reach, and potential extension of the Overground from Barking Riverside – which have made the scale of development viable. Improvements in outer London areas like Bexley and Greenwich are vital to improve connectivity. The devolution of suburban rail services to TfL through Plumstead and Abbey Wood would provide a further boost to our regeneration activity, supporting more homes and jobs.

The devolution of suburban rail services would benefit from the existing relationships which TfL has with the GLA, local authorities and property developers. TfL's Property Partnership Framework, of which Peabody is a part, means that they already have an existing model for working with developers to bring forward opportunities for new homes and commercial spaces.

In addition to supporting the development of new homes, this proposal would have a clear benefit for London's workers, particularly those on low to middle incomes. Many of the workers essential to London's economy – such as cleaners, police officers, and teaching assistants – rely on suburban rail services with expensive fares and unreliable trains for their daily commute into central London. The devolution of suburban rail services to TfL would help such workers and could support the creation of new jobs in outer London locations closer to affordable housing.

To conclude, the business case outlined would be advantageous for the future of London. It will help Peabody and other housing developers to deliver an increase in housing supply to meet the needs of London's growing population, and will support the development of local economies. We also note the widespread public and political support for this approach, the potential for increased local accountability, and the fact that this will be fiscally neutral and so will not divert much-needed investment from other proposed infrastructure planned for the capital.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Lewis', written in a cursive style.

John Lewis

Executive Director Thamesmead

Primera Corporation

53 Chandos Place
London, WC2N 4HS

Department for Transport
Great Minster House
33 Horseferry Rd
London
SW1P 4DR

13 October 2016

Dear Secretary of State,

Primera works across London, delivering transformative regeneration projects working with the private sector through Business Improvement Districts and business partnerships and with public sector partners, including TfL. Among the areas in which we operate are The Northbank (incorporating Strand and Aldwych), Cheapside, Hatton Garden, and, important areas in the context of rail devolution, Victoria and Old Street.

Demand on transport infrastructure across these areas is set to rise sharply in the coming years as London officially becomes a 'mega city'. Victoria is one of London's busiest transport hubs with 130 million passengers each year and, with several new developments in the area and Crossrail 2 planned in the future, demand is only set to increase. In Old Street there is also a significant new development pipeline, with new businesses locating there and the area growing as a leisure destination. The opening of the Crossrail station at Whitechapel will increase footfall in the area too.

Transport infrastructure is the fuel that keeps London moving and keeps us competitive with the rest of the world - attracting global businesses, great talent and international and domestic leisure visitors.

The Mayor of London's business case clearly outlines how TfL's concession contracting model, demonstrated by London Overground, would put reliability and customer satisfaction at the heart of train operator contracts. We believe this would mean a number of benefits to passengers – more reliable and frequent services, cleaner, staffed stations, simpler fares and better information for customers.

We represent hundreds of businesses across different parts of London and understand what is important for businesses to thrive. Anything that puts the needs of passengers first

- who are of course local employees, customers, and tourists - is good news for our partners and good news for 'London plc'

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Ruth Duston'. The signature is fluid and cursive, with the first letter 'R' being particularly large and stylized.

Ruth Duston
Primera Corporation



The Rt Hon Chris Grayling MP
Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

13 October 2016

Dear Secretary of State,

Re: Devolution of Suburban Rail Services to the Mayor of London

I am writing in support of the proposal set out in the Mayor's election manifesto for the devolution of suburban rail services to Transport for London.

On balance we are convinced that the business case for devolution will bring benefits to the Waterloo business community and to London as a whole. We believe that a well-run service, which is consistent, accessible, locally accountable and integrated with ongoing modes of transport is preferable to the current system, and that the likelihood of success is demonstrated in the example set by the transfer of rail services to the Overground.

We are keen to work with TfL on a local level to ensure that devolution brings about a greater focus on the management and maintenance of the area around Waterloo Station which, as a retail and business area, is likely to see considerable pressure resulting from increased passenger numbers. We also see an opportunity to work with Network Rail and TfL to unlock the potential of railway infrastructure as a lever for regeneration, encouraging business growth and a stronger local economy.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Ben Stephenson".

Ben Stephenson
Chief Executive

WeAreWaterloo

Suite 2
45-46 Lower Marsh
London
SE1 7RG

T : 020 7620 1201
E : info@wearewaterloo.co.uk
W : www.wearewaterloo.co.uk
T : [@wearewaterlook](https://twitter.com/wearewaterlook)



Rt Hon Chris Grayling MP

Secretary of State for Transport
Department for Transport For London Great Minster House
33 Horseferry Road
London
SW1P 4 DR

Dear Secretary of State,

Rail devolution in London

I am writing to support the business case for the further transfer of responsibility of some rail passenger services from the Department for Transport to the Mayor and Transport for London.

As the Founder of Tech London Advocates, I represent a private led coalition of over 3,600 expert individuals from the tech sector. Our fast-growing industry now employs 1.56 million people in the UK.

World-class transport infrastructure is important to sustaining confidence in our sector that London is internationally competitive as a place to do business. We need fast, frequent and reliable services and excellent connections at hubs across the city such as Old Street and Croydon.

TfL has a proven record at improving services with London Overground and TfL Rail. The transfer of further services would mean our employees can benefit from more reliable trains, simpler fares and cleaner, staffed stations. Too many of our members using are having to cope with services that are unreliable and expensive. London needs reliable and affordable transport if we are to remain competitive internationally.

Yours Sincerely

A handwritten signature in black ink that reads "Russ" in a cursive, slightly stylized font. A long horizontal line extends from the end of the signature.

Russ Shaw
Founder, Tech London Advocates

Transportforall

Accessible transport is our right

Chris Grayling MP

Secretary of State for Transport
Great Minster House,
33 Horseferry Rd,
London SW1P 4DR

13.10.16

R.E: Disabled and older Londoner support the devolution of rail services in our capital

Dear Secretary of State,

I am writing to you from Transport for All (TfA), a Disabled and older persons' charity that has championed accessible transport for over twenty years. For much of our history and indeed still now in 2016, large swathes of the rail network in the London are no-go areas for disabled and older people. Without stepfree access, lifts, ramps to bridge the large gaps between the platforms and train and adequate staff assistance, for many of us using our local rail station can be near on impossible. And for those who do manage it, we cannot 'turn up and go' like non-disabled passengers and have to pre-book assistance 24 hours in advance.

Inaccessible train services restrict the lives of Disabled and older Londoners and mean that getting to work, education and staying in touch with family friends and our local communities becomes a major challenge.

We believe that devolution will begin to address some of the major access issues that exist on London's rail network. The access improvements on the London Overground are a testimony to that. TfA therefore strongly urges the Secretary of State to devolve all of London's rail services to the Mayor so that we can have a rail network in the capital that can be used by *all* Londoners.

Yours sincerely,

Faryal Velmi
Director
Transport for All

The Rt. Hon Chris Grayling MP
House of Commons
London
SW1A 0AA

Whizz-Kidz
4th Floor
Portland House
Bressenden Place
London SW1E 5BH

T: 020 7233 6600
F: 020 7233 6611
E: info@whizz-kidz.org.uk

13th October 2016

Dear Mr Grayling,

I write to you on behalf of Whizz-Kidz, a UK charity whose mission is to transform the lives of disabled children by providing the equipment, support and life skills they need, when they need them – giving them the chance to develop their full potential.

Whizz-Kidz has been working closely with Transport for London (TfL) for a number of years, most recently as part of our Get on Board campaign, aiming to improve young wheelchair users' access to, and experience of, transport. TfL has committed to this campaign by becoming a Patron of our Accessible Travel Alliance; a group of transport operators committed to driving improvements to transport for young wheelchair users.

As such, they have consulted us on plans for London's rail devolution and we believe a number of the suggested improvements would be positive for young wheelchair users. Specifically we feel that staff at every station from the first to last train will ensure that young disabled passengers receive the support they may need when travelling across the network. In addition, we feel more stations with step-free access and a turn-up-and-go service for all disabled customers will enable young wheelchair users to access more social, educational and work opportunities across the capital as well as providing more freedom and flexibility when they travel.

We look forward to seeing these improvements implemented in the future.

Yours sincerely,



Ruth Owen OBE
Chief Executive

Help us help the
70,000 young people who
are still waiting, go to
www.whizz-kidz.org.uk

Whizz-Kidz is the working
name of The Movement
for Non-Mobile Children

Company limited by
guarantee. Registered
in England and Wales
(No. 2444520)
Registered charity
number 802872

Paul Carter CBE Leader of the Council



Mr Boris Johnson
Mayor's Office
City Hall
The Queen's Walk
More London
LONDON
SE1 2AA

County Hall
Maidstone
Kent ME14 1XQ
Tel: 03000 410009

22 October 2015

Dear *Paul,*

SOUTHEASTERN RAIL DEVOLUTION

Thank you for your recent letter setting out the process in which our officers have been engaged with the objective of reaching agreement on your proposal for TfL to be the contracting authority for the Metro services in south-east London which are currently operated by Southeastern.

I agree that the attached document "Assurance for Kent County Council" meets the requirements of Kent County Council to protect the interests of Kent's rail passengers. Provided that the "red lines" detailed in this document, which have been agreed between our officers, are adhered to, my authority would support your proposal to the Secretary of State for Transport for a transfer of Metro services.

I would expect that the proposed transfer of services could be at the scheduled commencement of the new franchise for the Southeastern area due in June 2018, though in practice the transfer could be later than this date.

Yours sincerely

Paul Carter, CBE
Leader of Kent County Council

Cc Patrick McLoughlin MP, Secretary of State for Transport

Enc.

paul.carter@kent.gov.uk

15-2011

Assurance for Kent County Council

Introduction

Kent County Council (KCC) has set out a series of "red lines" to protect fares and services for Kent's rail commuters in the event that TfL becomes the passenger contracting authority in place of DfT for the 'Metro' services out of Charing Cross, Cannon Street and Victoria to Hayes, Sevenoaks and Dartford (and possibly beyond Dartford as far as Gillingham, subject to detailed feasibility) using the same model of devolution as applied to the West Anglia services that transferred on 31 May 2015.

The purpose of this note, jointly authored by KCC and TfL officers, sets out means by which this assurance could be provided under current industry arrangements.

The 'red lines'

- 1. While Government policy determines peak and season fares and the franchise operator determines off-peak fares, Kent County Council would insist that any devolution proposal had no detrimental effect on Kent's fares, for example by any reallocation of DfT subsidy within the existing franchise. The interests of Kent's rail passengers must be protected and KCC would insist on a guarantee that fares in Kent were no higher as a result of devolution.***

- a) Fares at stations in Kent proposed to be operated by TfL concessionaire, such as Dunton Green*

TfL fares generally are set at discretion by the Mayor under the Greater London Authority Act 1999. TfL is able to give a general assurance about fares, and can however be more specific about fares at specific locations.

Fares at intermediate out-boundary stations such as Dunton Green just before Sevenoaks would be brought into TfL zonal system. A possible analogy is with Brentwood, newly included within zone 9 from 31 May 2015, which is a similar distance from Liverpool Street (18.25 miles) as Dunton Green is from London Bridge (18.75 miles).

As an indication, Brentwood fares towards London tend to be lower than current Dunton Green fares, for example these 2015 fares:

- Peak single: Dunton Green £10.80 (paper) cf £8.20 Brentwood (PAYG one-way)
- Weekly Travelcard: Dunton Green £84.60 cf: Brentwood £83.40

Once part of particular zone, zone changes are very unusual in practice, and fares at Dunton Green would change in the same manner as all other stations in that zone.

The necessary assurance on the general arrangement for such fares would be provided by an exchange of letters between TfL and KCC, though it would not be possible to quote specific fares for future years.

b) Fares at other stations in Kent such as Sevenoaks

Fares from stations such as Sevenoaks served by the TfL concessionaire but not operated by it will continue to be set by the DfT-franchised train operator just as they are now. This is exactly the same as the current situation at Watford Junction, Shenfield or Cheshunt, served by a TfL concessionaire, but where fares are set by the DfT franchisee London Midland and Abellio Greater Anglia respectively.

Similarly fares at all other stations in Kent would retain the same DfT fares regime with the basket of fares limited to an RPI plus zero cap as set out in the Conservative manifesto at the 2015 General Election. With Metro area fares in a separate concession, fares in Kent are less affected by London area Travelcard.

The separation is likely also to require an estimate of the net subsidy or premium of each part. DfT or TfL would make a transfer payment made to the counterparty to the extent that it is a beneficiary of an ongoing premium, thus holding the other party financially neutral. Hence, there would be no adverse impact on Kent fares levels from devolution.

The necessary assurance on fares would be provided by an exchange of letters between DfT and KCC that confirms these arrangements.

- 2. The Mayor and TfL can ensure that the interests of passengers using Southeastern services outside London are protected by giving an absolute assurance that the existing paths for Kent's mainline services would be protected, and that there would be no reduction or diminution of services from Kent by guaranteeing their existing paths as part of the Metro transfer agreement between the DfT, TfL and the new franchisee.***

The network owner, Network Rail, is tasked under current industry arrangements with engaging with all train operators who wish to use its routes to make the most of the available network capacity by determining the optimum plan, subject to regulatory processes administered by ORR. This engagement results in an overall timetable of services and gives operators with access rights legally enforceable rights. In order to generate timetables efficiently and fairly, Network Rail follows its Network Code, a common set of rules and industry procedures. Where conflicts arise, Network Rail must apply these rules for making decisions between competing bids for paths. These rules are incorporated in the Network Code and are known as the "Decision Criteria." There are precedents for their successful application.

On Southeastern's routes into London, with the exception of the route between Lewisham and Victoria via Nunhead, there is currently no spare infrastructure capacity with which to increase frequency, and no means of increasing the use of that capacity, at least in peak periods. The only decisions that are likely to be required in the London area will therefore be where capacity has been increased through investment. In this case, the source of funding for investment is usually a key criterion in allocating the new paths created by that investment.

Network Rail, similarly through its Network Code, also retains effective management of unplanned service disruption. When such disruption arises, Network Rail would continue to take overall charge and instruct operators how the timetable should be recovered. Its arrangements are codified in the access agreements to which each operator signs up. Effective collaboration exists across all operators, including between franchised operators and TfL's Overground, and there is no reason why this would not continue with further devolution.

The railway industry is well versed in dealing with changing demand for space on the network, including both contraction and expansion. The Thameslink programme is an example here, where works at London Bridge will affect services. TfL and its concessionaire as part of the National Rail network, would be obliged to be part of this process, and participate positively in various specific groups that manage change.

TfL's Commissioner of Transport will provide written assurance to the KCC Cabinet Member for Environment and Transport before devolution is confirmed that the default distribution of paths is a continuation of the current timetable, as summarised in the tables annexed to this note. This includes the distribution of long-distance services between London termini (in practice Charing Cross and Cannon Street).

This letter will confirm that TfL has no ability or motivation either now or under these proposals to change stopping patterns of other franchisees' services. However, the

DfT and/or the longer-distance operator may of course itself wish to change its own journey times and/or calling patterns.

Part J of the Network Code provides a number of mechanisms by which changes can be made to a train operator's track access rights under track access contracts. It also contains mechanisms intended to provide protection for train operators so that rights cannot be removed or adjusted without justification and to provide them with a process to challenge any proposed removal or adjustment. TfL officers will consult with KCC officers on the detailed service and timetable planning for the devolved services prior to invoking this process and/or each timetable conference so as to:

- minimise the risk of a materially adverse effect on the performance of franchised services;
- have regard to available access rights; and
- align the interests of all parties (in so far as may be practicable)

3. In particular, extra capacity on peak Metro services can only be permitted through the lengthening of existing trains or through the allocation of additional paths where there is spare capacity and there is no negative impact on longer distance Kent services.

Assurance of this 'red line' would be provided through the same means as for red line no 2. The purpose of this red line is, on the one hand, to protect the interests of Kent's rail passengers by ensuring that any additional capacity on Metro services does not have an adverse effect on Kent's rail services; and, on the other hand, to provide some headroom for TfL to expand the Metro services through the provision of longer trains and, where spare capacity exists (e.g. Dartford to Victoria via Bexleyheath, Lewisham and Nunhead) to provide additional Metro services.

General governance issues

The 2005 Railways Act requires TfL to have two Board Members explicitly charged with liaising with neighbouring authorities and representing out-boundary users' interests. They are currently Charles Belcher and Richard Barnes.

KCC and TfL will set up a joint consultation committee to which proposals for change would be submitted as necessary that affect the 'red lines' in any way. This could meet regularly or as required, reporting to the annual Kent Rail Summit. To the extent that change proposals are controversial or performance was deemed inadequate, this committee could make recommendations for consideration by the TfL Board via one of the two 'out-boundary' Directors.

For the avoidance of doubt, such a body would still mean that the Mayor/TfL would have no more influence than currently (that is, none) over any longer distance train, for the whole of its journey to its London terminus. These services would remain entirely the responsibility of the Department for Transport and the Train Operating Company (TOC) they appoint to run these services. TfL would have no ability to add additional calling points (including within London), or change the timings of these trains, or reduce their frequency.

Communication

This agreement will be appended to an exchange of letters between the Leader of KCC and the Mayor of London, copied to the Secretary of State for Transport.

This agreement will be subsequently appended to the terms of transfer between DfT and TfL.

Annex: Sevenoaks peak train services

All trains call at Sevenoaks. Train service in two hour morning peak as follows.

Departure time	Arrival CHX	Arrival CST	Via
0703	0740		Calls ORP *
0711	0747		Non-stop *
0717		0810	All stations except LEW, SAJ
0723		0759	Calls CLD, NWX *
0728		0801	Non-stop *
0732	0806		Non-stop *
0737		0828	All stations except HGR, LEW, SAJ
0743	0820		Calls CLD *
0747		0822	Non-stop *
0751	0826		Non-stop *
0803	0840		Calls CLD *
0808		0842	Non-stop *
0812	0846		Non-stop *
0757	0848		All stations except HGR, LEW, SAJ, NWX
0823	0900		Calls CLD *
0817		0908	All stations except HGR, LEW, SAJ, NWX
0827		0904	Non-stop *
0831	0907		Non-stop *
0847	0923		Calls CLD *
0851	0928		Non-stop *
0837	0932		All stations except LEW, SAJ, NWX
0856		0931	Calls ORP *

Note: * may also call at London Bridge or Waterloo East.

Description	Number of trains
Fast line to CHX	11
Fast line to CST	6
Slow line to CHX	2
Slow line to CST	3
Sub-total: All fast line	17
Sub-total: All slow line	5
Grand total: all services	22

Sevenoaks PM peak train services

Train service in two hour evening peak as follows.

Departure CHX	Departure CST	Arrival	Via
1700		1737	Calls CLD *
	1702	1731	Non-stop *
	1656	1744	All stations except LEW, SAJ, NWX
1714		1745	Non-stop *
1723		1759	Calls CLD *
	1724	1753	Non-stop *
	1719	1807	All stations except HGR, LEW, SAJ, NWX
1739		1811	Non-stop *
1745		1820	Calls CLD *
	1741	1828	All stations except HGR, LEW, SAJ, NWX
	1745	1815	Non-stop *
1803		1833	Non-stop *
1807		1842	Calls CLD *
	1806	1837	Non-stop *
	1802	1850	All stations except HGR, LEW, SAJ, NWX
1820		1852	Non-stop *
	1823	1914	All stations except HGR, LEW, SAJ, NWX
	1832	1900	Non-stop *
1832		1906	Calls CLD *
1841		1916	Calls ORP *
1845		1920	Non-stop *
1830		1928	All stations except LEW, SAJ, NWX

Note: * may also call at London Bridge or Waterloo East.

Description	Number of trains
Fast line from CHX	11
Fast line from CST	5
Slow line from CHX	1
Slow line from CST	5
Sub-total: All fast line	16

Sub-total: All slow line	6
Grand total: all services	22

Off-peak service from Sevenoaks

Departure time	Arrival CHX	Arrival CST	Via
1121	1152		Calls ORP *
1114		1150	Non-stop *
1106	1156		All stations except LEW, SAJ, NWX
1129	1204		Calls ORP *
1151	1222		Non-stop *
1144		1220	Calls ORP *
1136	1226		All stations except LEW, SAJ, NWX
1159	1234		Calls ORP *

Note: * may also call at London Bridge or Waterloo East.

Description	Number of trains
Fast line to CHX	4
Fast line to CST	2
Slow line from CHX	2
Slow line from CST	0
Sub-total: All fast line	6
Sub-total: All slow line	2
Grand total: all services	8

MAYOR OF LONDON

Rt Hon Chris Grayling MP

Secretary of State
Department for Transport
Great Minster House
33 Horseferry Road
London, SW1P 4DR

Date: 17 OCT 2016

Dear Chris,

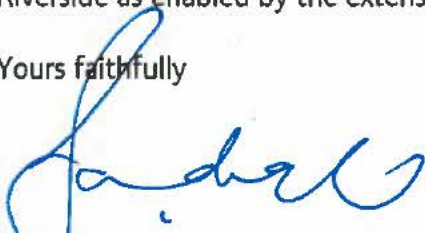
I am writing to state my support for the proposed London Overground extension to Barking Riverside.

Barking Riverside has enormous potential and this planned extension of London Overground is vital to deliver thousands of the much-needed homes Londoners so urgently need.

As we continue to unlock the massive economic potential of East London, we must secure the transport infrastructure that delivers much needed new homes, and particularly affordable homes and improve the quality of life for everyone living and working in the area without delay.

Recently, I asked TfL to start looking at the case for a possible future extension of the London Overground from Barking Riverside across the Thames towards South East London. This extension, if feasible, could potentially go under the later phases of the project that are yet to be designed in detail and could link with Elizabeth line services at Abbey Wood, subject to further financial, planning, engineering and operational feasibility work in the coming years. It is a long term proposition that must, if implemented build upon the successful and immediate delivery of Barking Riverside as enabled by the extension that is already proposed.

Yours faithfully



Sadia Khan
Mayor of London

MAYOR OF LONDON

Rt Hon Chris Grayling MP
Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Date: 19 OCT 2016

Dear Chris,

Londoners recently gave me their overwhelming support on a bold and comprehensive package of measures to tackle air quality in the capital. I am writing to seek your support in strengthening my proposals.

Vehicle Excise Duty (VED) and other fiscal measures have led to record sales of diesel cars but only one in six of those sold today meet the latest European vehicle emissions standard in 'real world' conditions. We must urgently reverse this trend if we are going to work together to meet safe air quality limits in the UK as soon as possible.

National policies such as VED have a strong impact on vehicles in London and their contribution to poor air quality – up to half the cars driven in the capital are registered elsewhere in the UK.

The previous Chancellor announced new tariffs for VED from 2017. Unfortunately, petrol and diesel cars will be charged the same despite significant differences in air pollutants and there are limited incentives for ultra low emission vehicles.

In particular, I am concerned that London taxi drivers who purchase a new zero emission capable taxi will need to pay an extra £1,550 in VED over five years because of a £40k+ premium list price. At the same time, Transport for London and OLEV are planning to provide up to £7,500 per taxi in grant funding to make these specialist vehicles more affordable, particularly in recognition of their strategic importance to national air quality objectives and the Government's industrial strategy. I'm hoping you may be able to help resolve this discrepancy before it becomes an issue.

In light of the urgent need to clean up our air, I am asking that Government takes a renewed opportunity to reform VED before the tariff takes effect so that we can effectively discourage high polluting vehicles. This would involve:

- Exempting zero emission capable purpose built taxis from the £310 five year supplement;
- Introducing a 20% premium for diesel cars on the first year and standard rate until 2021, when stricter real world emission testing becomes mandatory;
- Removing the first year and standard rate for vehicles that emit less than 50g/km CO₂ to help the new and second-hand ultra low emission vehicle market to mature;

MAYOR OF LONDON

- Exempting zero emission vehicles from the £310 five year supplement to send a clear signal that zero is best.

Finally, there is a growing consensus among business and transport campaigners that stable roads funding is needed to deliver productive growth.

The hypothecation of VED to a national Roads Fund from 2020 will re-establish the link between 'road tax' and roads funding in England. London's strategic roads are not currently covered by this fund, and unlike other devolved administrations separate funding will not be provided. This means that VED raised by London registered vehicles (around £500m) will be spent – explicitly – on roads outside the capital (despite 90% of Londoners' journeys taking place entirely on London's roads), with London roads being subsidised by public transport fare-payers. I believe it is only fair that Londoners' 'road tax' contributes to improvements in their local vicinity.

I hope you will be able to support me in making the case to Treasury that the changes proposed above would benefit our environment and that securing hypothecation for a fair share of the VED revenues paid by Londoners is a sensible approach.

Yours sincerely,



Sadiq Khan
Mayor of London

26 OCT 2016

HC CC



Department
for Transport

From the Secretary of State
The Rt. Hon. Chris Grayling

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: 0300 330 3000
E-Mail: chris.grayling@dft.gsi.gov.uk

Web site: www.gov.uk/dft

Our Ref: MC/170539

Councillor Paul Carter CBE
Leader of Kent County Council
Sessions House
County Road
Maidstone
ME14 1XQ

(link to 200916 -
6540)

19 October

Thank you for your letter of 21 July, about the rail prospectus for the devolution of rail services.


First let me apologise for the delay in responding to your letter. This is completely unacceptable and I am sorry that you did not receive a prompt comprehensive reply. I have asked my private office to take urgent action to ensure this does not happen again.

Let me use the opportunity to provide as full an update as possible. You will have seen that I had asked the Mayor of London, to whom this letter is copied, to provide a business case for London devolution which my Department has now received. I have been very clear that I will consider this case on the basis of whether it will improve services for all passengers including longer distance commuters. I will also need to understand how the Mayor intends to fund his proposals.

The Department has always considered it vitally important to consider the points made on the protection of services raised in response to the prospectus. In this context I note that Kent County Council has already signed an assurance agreement with the Mayor covering such issues. The protection of services is clearly of key importance in London when considering sections of the rail network with limited capacity and my Department will continue to have issues of protection of services in mind when considering the business case.

In the meantime, please let me assure you that I also believe strongly in protecting passengers' rights and ensuring that passengers' views inform our future franchises. I recognise the importance of providing clarity on the approach to devolution ahead of the public consultations on the upcoming franchises. Similarly, I strongly believe in protecting passenger rights and ensuring that passenger and other stakeholder views inform the new franchises. The consultation on the franchise is an opportunity for all stakeholders to feed into the process, but please be assured my officials are also happy to meet with Council representatives to discuss the next franchise before the consultation is formally released, and I understand these meetings have started to take place with Kent County Council as part of the new South Eastern competition.

I am copying this letter to Councillor David Hodge the Leader of Surrey County Council, Councillor Robert Gordon the Leader of Hertfordshire County Council, and to the Mayor of London, Sadiq Khan.

W. H. Best


Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT



Department
for Transport

Sadiq Khan
Mayor of London
City Hall
London
SE1 2AA

From the Secretary of State
The Rt. Hon. Chris Grayling

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: 0300 330 3000
E-Mail: chris.grayling@dft.gsi.gov.uk

Web site: www.gov.uk/dft

29 October

D S22

I wanted to write to you in regard to Crossrail 2 as I understand that agreement has now been reached not to proceed with an autumn consultation.

I would like to emphasise that this Government fully supports the principle of Crossrail 2. We know, as you are acutely aware, that there are challenges on the transport network in London and that action will need to be taken. Crossrail 2 could be part of the solution whilst also delivering new homes and creating jobs. It is therefore vital that we prioritise the current work on developing a robust business case that demonstrates good value for money, exploring the strategic alternatives, bearing down on cost, and delivering a credible funding plan – before any further consultation.

My officials will continue to work closely with TfL and Network Rail on developing the proposals, reflecting the National Infrastructure Commission's recommendations and previous consultations. I also propose our officials work together to develop common lines and handling to take to address any press queries and stakeholder enquires that arise as a result of not going out to consult this autumn.

I do also recognise the importance of maintaining positive momentum for the project in the absence of a consultation this autumn. I would therefore like to invite you to meet and discuss ways to maintain and demonstrate momentum alongside carrying out the important work on the business case and funding plan. Please contact my diary secretary [redacted] at transportsecretary@dft.gsi.gov.uk if you would like to meet.

Finally, I cannot emphasise enough that it is essential for our organisations to work openly and collaboratively, to push forward the plans for Crossrail 2. This project involves real funding and financing challenges we need to address together, including how London would contribute at least half of the costs. This will ensure that we can play our part in supporting London in maintaining its position as a world city.



Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT



Department
for Transport

Sadiq Khan
Mayor of London
City Hall
London
SE1 2AA

KC

Out Relations

17 NOV 2016

From the Secretary of State
The Rt. Hon. Chris Grayling

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: 0300 330 3000
E-Mail: chris.grayling@dft.gsi.gov.uk

Web site: www.gov.uk/dft

Our Ref: MC/179823

13 Nov

D Sin

Thank you for your letter of 17 October 2016, about Barking Riverside Extension.

I note your support for the London Overground Barking Riverside Extension Order. The Public Inquiry into this order closed on 21 October and I await the Inspector's report before coming to a decision.

I also note the further work you have commissioned on potential additional extensions of the route. I would be interested to see the findings of this work, and would ask that your officers continue to engage with my officials.

Will best use

Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT



Department
for Transport

Rt Hon Sadiq Khan
Mayor of London
City Hall
The Queen's Walk
London
SE1 2AA

From the Secretary of State
The Rt. Hon. Chris Grayling

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: 0300 330 3000
E-Mail: chris.grayling@dft.gsi.gov.uk

Web site: www.gov.uk/dft

Dear Sadiq,

6 December 2016

Thank you for the open and constructive discussion yesterday on London rail devolution and other important issues. As you know, I have been carefully considering your business case for London rail devolution, and the responses to our predecessors' joint consultation on the Prospectus on rail passenger services in London and the South East published in January 2016.

As the Prospectus and your business case make clear we share the same high level objectives for passengers in London and the South East namely:

- More frequent services, better interchanges and increased capacity – to support growth, carry more people and help address crowding;
- Greater reliability for all passengers – putting excellent performance at the heart of train operator contracts; and
- High standards of customer service – including more integrated information, fares and ticketing.

The proposal to devolve the South Eastern franchise does however come with a range of complex and difficult issues. As we both know, there are significant interactions between different train services on the South Eastern network, with a mix of suburban and longer distance services as well as High Speed and freight services. Many of these services share the same tracks, and the network is highly constrained, which means even small disruptions have wide-reaching impacts on other services. Introducing another operator, and another organisational interface onto this network would further complicate service delivery and could exacerbate performance issues by making it harder to manage services in a unified way. Splitting the franchise would also incur additional costs for taxpayers, because of the need for additional staff, vehicles and accompanying infrastructure as a result of breaking up an integrated operation.

For these operational reasons and given the urgency of moving forward with the South Eastern franchise, I do not believe that the work necessary to consider and implement the devolution of services can be taken forward for this competition.

I am committed to improving services for all passengers travelling into, out of and within London and, as the Prospectus emphasised, working together is the best way to achieve this. I would therefore like to invite TfL to have a role within the South Eastern competition team and collaborate on the specification for services within London, with the aim of delivering as many benefits for passengers as possible.

We will need to agree a method for TfL to fund any enhancements which my Department is unable to justify through our normal value for money and affordability assessments, but which remain TfL priorities. I should however stress that my Department will always assess potential enhancements on the basis that they should deliver for all passengers, and will not agree to enhancements which have a negative impact on passengers travelling from outside London. Similarly, when the new franchise starts, I would like TfL to work collaboratively with the new operator and ensure the delivery of the requirements specified for the inner suburban services. I will also be extending this offer to Kent County Council as a key stakeholder in the process. I believe this approach is in line with the spirit of the January 2016 prospectus, with its emphasis on joint working.

The formal consultation process for this franchise will further ensure that we take into consideration wider passenger and other stakeholder views, and develop the specification in light of these responses.

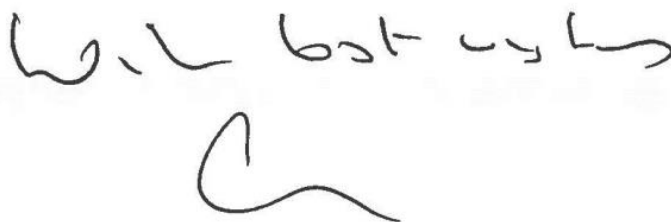
I recognise that there are longer term choices to be made about how rail services within London are delivered. To help us in making choices which balance the interests of all passengers; identifying how best to deliver service and performance improvement; whilst also managing the risks of operational disruption, I plan to commission an advisory report and recommendations. I very much hope that TfL will play a full part in this work and that it will help us to determine how best to deliver our shared objectives of better passenger services into, within and through London in the medium and longer term.

Your business case sets out a number of potential improvements for passengers such as investment in new rolling stock and additional station staffing, which could increase service levels, reduce fare evasion and feed into improvements in rail performance and passenger satisfaction. I am also committed to driving service improvements but consider these could be delivered equally well through closer working, and effective franchise design and management.

The Department's partnership working with Rail North led to specification and procurement processes for the Northern and TPE franchises which delivered a £1.2 billion boost to rail services with 500 brand-new modern carriages, room for 40,000 more passengers and thousands more services. We are looking to replicate that success on the West Midlands franchise where we have had similar levels of embedded support from West Midlands Rail.

Your business case also sets out the wider role rail investment could play in helping to unlock housing growth in London. I share your objectives of ensuring closer co-ordination between housing and transport investment, and unlocking greater third party and developer contributions to rail investment. However, housing growth on the scale identified in London's 2013 Strategic Housing Lands Availability Assessment will require investment in infrastructure and capacity well beyond that envisaged in your proposal for rail devolution. Joint working however will give us the opportunity to work on issues of capacity and housing together, and evaluate how opportunities to improve service frequency can be delivered most effectively.

I hope you will also agree that we need to continue our close working on smart ticketing. We have a shared vision of making sure that all passengers travelling into London can benefit from smart ticketing. TfL has been a world leader in delivering smart and integrated ticketing, and our continued collaboration on this work will be vital to the successful roll out of national smart ticketing on rail.

A handwritten signature in blue ink, appearing to read 'W.L. Grayling', with a large, stylized flourish below it.

Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT

MAYOR OF LONDON

Rt Hon Chris Grayling MP
Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Date: 09 DEC 2016



Volkswagen Group Emissions Scandal

As you will be aware, this summer Volkswagen Group reached a near \$15 billion settlement with US authorities in relation to their use of so-called 'defeat devices' in their vehicles which enabled them to meet US emission requirements. This has now been confirmed by a US Court.

There are up to 80,000 model year 2009-2015 diesel Volkswagen Group cars installed with a 'defeat device' registered to addresses in Greater London. My team is working to understand what action can be taken to secure similar levels of compensation for Londoners who bought an affected Volkswagen Group vehicle. As the settlement included \$4.7 billion to mitigate pollution from these cars and invest in green vehicle technology, there also needs to be some form of compensation for cities like London where Volkswagen Group's actions have delayed, and potentially worsened, vital improvements to air quality and public health.

As the House of Commons Transport Committee's report on this subject has made clear, the DfT are the appropriate regulatory authority to bring the Volkswagen Group to account for its use of 'defeat devices' to obtain type approval of its vehicles in the UK.

I have noted the Government's response to the Committee's report and am concerned about the lack of regulatory action taken against Volkswagen Group to date even though more than 12 months has passed since their use of these devices was revealed. In the response the Government revealed that it has "not ruled out opening our own investigation", and that the Competitions and Markets Authority "will not be opening a formal investigation at this time".

Subsequently you have announced that you have secured £1.1 million from Volkswagen Group. In the same timeframe the US authorities have extracted significant compensation and other concessions from Volkswagen Group valued at nearly \$15 billion. This is a shocking discrepancy.

This has been confirmed by the European Commission, who this week initiated the first stage of infringement proceedings against your Department for its failure to take appropriate action against Volkswagen Group in the UK. I am particularly troubled that the DfT has been accused of refusing to share details on breaches of EU emissions laws uncovered in national investigations this year with the Commission.

MAYOR OF LONDON

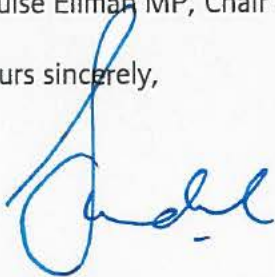
Given the global scale of Volkswagen Group's use of 'defeat devices', and the urgent national priority ascribed to improving air quality – especially by tackling diesel emissions – I am surprised you have not been more assertive in using your regulatory powers to secure vital action from Volkswagen to begin addressing these challenges. I would, therefore, be grateful if you could confirm to me what regulatory action you intend to take in the coming months.

Given the lack of progress to date, I am also reviewing what options are open to me as Mayor of London to help affected Londoners and ensure any pollution impacts are fully mitigated. To assist this process I would like you to provide me with all relevant information the Department for Transport and the Vehicle Certification Agency hold on the extent to which the 'defeat device' software installed in Volkswagen Group vehicles contributed to those vehicles obtaining type approval.

You will, of course, be aware that a priority for me is for the Government to put in place a national diesel scrappage scheme. It seems that an agreement with Volkswagen Group or regulatory action to remove these diesel vehicles from our streets would be a first, significant step to the overall goal of phasing out diesel vehicles in urban areas.

I am copying this letter to the Secretary of State for Environment, Food and Rural Affairs and to Louise Ellman MP, Chair of the House of Commons Transport Select Committee.

Yours sincerely,



Sadiq Khan
Mayor of London

Cc: Rt Hon Andrea Leadsom MP, Secretary of State for Environment, Food and Rural Affairs
Louise Ellman MP, Chair of the Transport Select Committee, House of Commons

MAYOR OF LONDON

Rt Hon Chris Grayling MP

Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Rd
London SW1P 4DR

Date: 16 DEC 2016



Dear Chris,

Harris Review into London's Preparedness to Respond to a Major Terrorist Attack

The safety of Londoners is of vital importance and the recent tragic terrorist attacks across Europe and elsewhere have highlighted how important it is for all of us to properly prepare should such an attack occur in London. That is why one of my first tasks as Mayor was to commission Lord Harris to conduct a review of London's preparedness to respond to a major terrorist attack. I know from Lord Harris that your department provided great assistance to him in completing this Review. I am very grateful to you all for the openness, and cooperation your officials demonstrated to him and this task.

Lord Harris has now published his review and I hope you will have had a chance to read the report and assess those recommendations which are relevant to the Department for Transport.

The review is a thorough and thoughtful assessment of the situation in London and, while it describes a situation where organisations are largely well prepared and have plans in place, it does make a number of important recommendations. The recommendations that fall within the remit of the Department for Transport are as follows:

4 The Civil Aviation Authority should, building on the work of the House of Lords review into the civil use of drones, ensure that the current legislation relating to the use of drones is suitable. Government should also explore technological options to improve the capacity to restrict drone use or disable them.

74 I recommend that consideration should be given to widening the remit of the Port of London Authority to give them a formal interest in the security of the River.

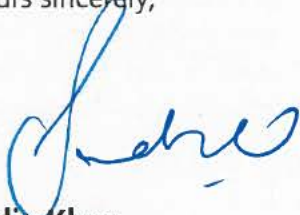
I would be grateful if you officials would write to me setting out your plans for the implementation of these recommendations, the name of the responsible officer and a timescale. Where recommendations are not accepted, it would be useful to have your thoughts on the reasons for this and have the opportunity to discuss these. It would be most helpful if your initial response could be returned by 13 January 2017, and elements of this may be reflected in a formal response to the review in the New Year.

MAYOR OF LONDON

My Deputy Mayor for Policing And Crime, Sophie Linden, will be overseeing implementation of the recommendations through my Office for Policing And Crime (MOPAC). I would be grateful for your department's cooperation with her and her team.

All correspondence on this matter should be sent by email to PreparednessReview@london.gov.uk or to MOPAC at the address below.

Yours sincerely,



Sadiq Khan
Mayor of London



Department
for Transport

Sadiq Khan
Mayor of London
City Hall
London
SE1 2AA

From the Secretary of State
The Rt. Hon. Chris Grayling

Great Minster House
33 Horseferry Road
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Tel: 0300 330 3000
E-Mail: chris.grayling@df.t.gsi.gov.uk

Web site: www.gov.uk/df.t

Our Ref: MC/184770

KC

6 Jan

D Sw. 2

Thank you for your letter of 9 December about Volkswagen emissions.

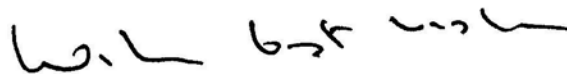
The Government takes the unacceptable actions of Volkswagen extremely seriously. The treatment of UK consumers has not been acceptable and we believe that vehicle owners should be compensated for the inconvenience, uncertainty and worry caused by Volkswagen's actions as well as for any loss in the value of affected vehicles which may become apparent. We also find it unacceptable that Volkswagen has avoided this issue for so long and has failed to adequately engage with their customers on this matter and respond to their valid concerns. The Minister of State regularly meets with Volkswagen UK to reiterate these views and press the company to treat their UK consumers fairly.

Turning to your question about legal action, the UK will be responding in the strongest terms to the Commission. This is a complex area as the wrongdoing by the multinational Volkswagen Group is likely to have taken place in various jurisdictions. We understand that investigations in Germany (where the Volkswagen Group is based and the relevant engines were developed) require the review and assessment of vast amounts of material. I can assure you that the Government wants to ensure that the Volkswagen Group faces appropriate legal consequences for its manipulation of emissions tests and we are continuing to consider how best to do this.

Regarding your request for information about the extent to which the 'defeat device' software contributed to obtaining type approval, I share your frustration that we are unable to determine how Volkswagen's vehicles would have originally performed on the official laboratory test without the cheat device. However, it is not possible for us to simply remove the offending line of code in the vehicle emissions control software and re-test the vehicle to measure the difference. The approval authority does not have access to an original engine control unit that does not contain the cheat device so a direct comparison is not possible. The approval authority has been presented with a vehicle running revised emissions control software that has had the cheat device removed. However, to ensure that the vehicles are in compliance, a number of aspects of the emissions control strategy have been revised which makes a direct comparison to determine the exact influence of the cheat device impossible. I would be happy for my officials to discuss this with yours in more detail, to share their technical understanding.

The Government is firmly committed to improving the UK's air quality and cutting harmful emissions. That's why we have committed more than £2billion since 2011 to increase the uptake of ultra-low emissions vehicles and support greener transport schemes and set out how we will improve air quality through a new programme of Clean Air Zones. We are considering all feasible measures as we develop a new air quality plan, which we will publish by 31 July 2017.

We have been clear in our response to the Transport Select Committee that the Department stands ready to provide any reasonable assistance to consumers who seek compensation directly from Volkswagen. Similarly, please let me know if we can be of any further assistance in your own considerations of how to address the issue within London.



Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT

MAYOR OF LONDON

Rt Hon Chris Grayling MP

Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Our ref: MGLA161216-5814

Date:

13 JAN 2017

Dear Chris,

I was extremely disappointed to receive your letter of 6 December 2016, less than a day after we met and you assured me that you were still considering TfL's rail devolution business case. Passengers, elected representatives, local councils and businesses across the commuter belt are rightly furious. This issue is far more important than party politics, and commuters expect you to show a genuine desire to put the needs of rail passengers first.

Since your announcement, you have given no indication of how you intend to deliver the benefits to passengers that were clearly set out in TfL's business case. Neither have you addressed the feedback from the joint consultation carried out by Transport for London (TfL) and your Department, which showed that 74 per cent of respondents are in favour of TfL's proposals. Another poll over Christmas showed that only 14 per cent of commuters back your decision, while 58 per cent believe TfL should have more control over suburban rail routes.

It is simply not correct that separating the current Southeastern franchise into suburban and longer distance elements would lead to an increase in complexity. The suburban and longer distance rail markets are distinct - with different requirements. Different types of contracts are needed to get the best out of the operators appointed to run these services, which is clearly not possible within a single franchise. At most London terminals different operators work collaboratively together to serve their particular markets, whether suburban and longer distance. It makes no sense to stick to an outdated model of 'one-size-fits-all' franchises in south London. Meanwhile your suggested alternative of a 'deep alliance' model - a partnership between Network Rail and the operator - has already been tried and failed on South Western until its recent dissolution as a result of disappointing outcomes.

Since our predecessors published the joint Rail Prospectus in January 2016, your officials have had ample opportunity to work with TfL to develop these proposals further. TfL has promptly provided all of the information asked of it. It rings hollow to say, therefore, that the urgency of moving forward with the Southeastern re-franchising competition is a reason to u-turn on the government's previous commitment to rail devolution.

The costs associated with implementing rail devolution would be covered by TfL, with zero liability to central Government. They would be paid for by the extra revenue from increased ridership and reduced fares evasion. For every £1 spent there would be a return worth £4.30.

MAYOR OF LONDON

Your insinuation that TfL might propose changes that would have a negative impact for passengers outside London is totally disingenuous. TfL and I have repeatedly committed to doing no such thing, and TfL's assurances on this point were accepted by Kent County Council in October 2015, an acceptance that was restated by Kent in a letter to the Prime Minister less than two months before your letter. Mike Brown, TfL's Transport Commissioner, has this week written to the Leader of Kent County Council to reassure him that TfL and I stand by the commitment made under the previous administration. TfL already operates rail services that both share tracks with longer distance services, and themselves run a short distance beyond the boundary. Rail users from outside London have in no way been disadvantaged by these arrangements. The proposals in the Rail Prospectus would actually have improved TfL's accountability to passengers from outside London, through the new DfT-TfL partnership including mechanisms to represent local authorities and other local stakeholders.

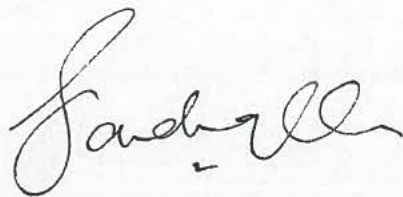
TfL has a long history of collaborative working with the Department for Transport (DfT) and its franchisees, and the invitation for TfL to have a role on the DfT's competition team would just not add any value to this. TfL has already reviewed specifications and given advice to Department officials during previous franchise competitions; funded enhancements such as station staffing and station upgrades; signed cooperation agreements with the TOCs when invited to do so; provided alternative transport and ticket acceptance options during disruption on DfT-franchised operators; and we continue to push London-wide solutions in areas of joint ticketing, staffing arrangements and other customer benefits. Despite all of this, services for commuters continue to worsen on franchises run by your Department.

In stark contrast, TfL run rail services are at the top of national reliability tables - a distant prospect for passenger on other services. It is therefore difficult to understand why the opportunity to extend this huge success to other parts of London has been rejected. Nothing in your alternative proposals goes anywhere near achieving that goal.

In the absence of a credible plan to address the fundamental issues that passengers experience every single day, I cannot commit to deeper participation in the Southeastern refranchising process. There is simply no reason to believe that it will lead to outcomes that are any different. I'm afraid that your suggested approach is fundamentally flawed, and is a tried and failed model. TfL have already spent more than £250,000 and months of work preparing the business case that you have seemingly ignored.

I would appreciate more information about the advisory report you are commissioning regarding the future of rail services in London. However, it seems that this will inevitably cover much of the same ground that led to the January 2016 Prospectus, and the work prior to the transfer of West Anglia routes in 2013.

Yours sincerely,



Sadiq Khan
Mayor of London



Department
for Transport

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From the Secretary of State
The Rt. Hon. Chris Grayling

20 JNR 17

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17 5

D S 2-2

Metropolitan Line Extension (Croxley Rail Link)

As part of Transport for London's 2015 Spending Review settlement, your predecessor agreed that TfL would deliver the Metropolitan Line Extension by 2020. The scheme was also the subject of a specific project funding agreement between our two organisations in April 2015 and I reiterated the scheme's importance when we met in December.

I was therefore concerned to learn that the scheme no longer features in TfL's Business Plan and that TfL's commitment to the scheme appears to be wavering.

In view of this, and the recent emerging cost pressures that our officials have discussed, I am writing to seek your assurance that TfL will continue to deliver the scheme in line with the agreements in place between us.

The scheme will deliver significant transport benefits and significantly boost economic growth in Watford and the wider north-west London area.

I look to you to take the scheme forward to a successful conclusion as quickly as possible to deliver these important benefits.

Will be with
C

Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT



Department
for Transport

Sadiq Khan
Mayor of London
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From the Secretary of State
The Rt. Hon. Chris Grayling

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Web site: www.gov.uk/dft

Our Ref: MC/186306
Your Ref:

23 Jan

DS-2.2

Thank you for your letter dated 16 December 2016, regarding Lord Harris's Review of London's preparedness to respond to a major terrorist incident. I appreciate the attention you are giving to this important subject given the current frequency of terrorist attacks on cities around the world.

I am particularly pleased to note the headline conclusion that the response by the emergency services is now substantially faster and more effective than it has been. But Lord Harris is right to point out we should not be complacent and as I'm sure you are aware, the Department for Transport (DfT), alongside our partner organisations, works tirelessly to fulfil the common goal of making the UK safe and secure.

We have identified a number of the recommendations which are specifically relevant to ensuring we protect transport modes across London and are prepared to respond to an incident. In this regard the DfT has already taken action on some of the recommendations and, alongside your officials, will develop plans to consider and implement others.

Below are my initial thoughts to the key recommendations highlighted by your letter.

River Thames

I have asked my officials to establish a small group to give consideration to potentially widening the remit of the Port of London Authority (PLA) to include a formal interest in the security of the River. I propose to invite the following organisations to participate in the work of this group: the PLA, the Thames Port Security Authority, the Mayor's Office for Policing and Crime, and the

Metropolitan Police. I recommend that the group reports back to both our offices.

As you may already be aware the PLA is formally involved in security matters via its membership of the Thames Port Security Authority and also plays a proactive role in the work of Authority. There is a well-established framework for ship and port security in the UK which is based on international maritime security standards. DfT has also published security guidance material for the operators of Thames tidal passenger services to assist with management of a range of security threats.

Drones

Across government there are a number of co-ordinated strands of work aimed at improving our defences against drones, with a focus on sensitive and important locations and events. This work involves experts from the Home Office, the Centre for the Protection of National Infrastructure (CPNI) and other departments through a cross-government counter-drones programme. Work includes exploration of technological options to detect and counter drones. Many trials and demonstrations have already taken place to examine applicability for protecting UK critical infrastructure, sensitive sites and crowded places. Further trials and demonstrations will take place this year.

The Civil Aviation Authority and government are engaging with drone manufacturers to raise awareness of safety and security risks. An engagement day held in December identified a number of ways in which manufacturers can work with government to mitigate these risks, including via geo-fencing (the creation of virtual fences around areas or points of interest to keep drones away). Further engagement with manufacturers will be progressed as part of the cross-government counter drone programme.

Bespoke advice is being provided to a number of organisations by CPNI and the DfT is organising a CPNI briefing for key UK airports early this year, to further raise awareness of the risks and increase understanding on how to mitigate them.

In December 2016 DfT launched a public consultation on drones entitled 'Unlocking the UK's high tech economy: consultation on the safe use of drones in the UK'. The consultation and associated documents can be found at <https://www.gov.uk/government/consultations/benefits-of-drones-to-the-uk-economy>.


The deadline for responding is 15 March 2017. The consultation sets out some of the next steps under consideration and puts forward a number of proposals, which include developing the UK's policy and regulatory

framework. The consultation process will be a crucial step to enable Government to keep rules and regulations at pace with this emerging market and ensure that appropriate actions can be taken to mitigate the potential risks.

The lead official for this work is [REDACTED] Head of Strategy, Coordination and Programme. Her contact details are:

[REDACTED]@dft.qsi.gov.uk, 020 7944 [REDACTED]

I am copying this letter to Lord Ahmad of Wimbledon as the Minister that will lead on this in the Department.

With best wishes


**Rt Hon Chris Grayling MP
SECRETARY OF STATE FOR TRANSPORT**

MAYOR OF LONDON

Rt Hon Chris Grayling MP

Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Date: 16 FEB 2017

Dear Chris

Re: High Speed Two: Old Oak Common

In November 2016, I published the findings of the Greater London Authority's (GLA's) review of the Old Oak and Park Royal Development Corporation (OPDC). The review included the support provided by central government for delivery of the wider benefits associated with the investment at Old Oak Common station, including the potential for up to 65,000 new jobs, and 25,500 new homes. It found that greater levels of government support should be provided at Old Oak, in order for these benefits to be realised. As one of the largest regeneration projects in Europe, it is vital that central government invests not just in HS2, but also in development and infrastructure to deliver the regeneration potential around the new HS2 stations.

In March 2016, a Memorandum of Understanding (MoU) was signed between the Department of Transport (DfT) and OPDC. I support the review findings that the transfer of land holdings is a sound concept, as it creates the opportunity for a holistic and comprehensive approach to development. However, the terms of this MoU are unclear and unquantified, and it is my responsibility to ensure that any deals that the GLA Family enters into must be in the best interests of London and Londoners. I therefore ask that the terms of the MoU be amended, so that central and London government share any development profits, after infrastructure costs and taxation, once the development has been completed, rather than for OPDC to make any upfront and/or absolute figure payment. Such terms are more in line with industry norms regarding commercial principles for land transfer.

Transferring land and air rights to development will, however, not be sufficient to raise enough revenue to pay for the entire infrastructure costs associated with the development at Old Oak. The OPDC is currently mid procurement of masterplanners to create a comprehensive deliverable plan for the development of Old Oak, including developing a funding and financing strategy. Alongside this, I would like OPDC officers to be able to work collaboratively with HMT officials to develop a business case for investment in infrastructure, to be considered as part of the 2018 budget process. Your support will be most welcome.

In the shorter term, I am aware that your Department is due to make important decisions regarding the design of the Old Oak Common station early in 2017. In order for this station to effectively serve the new communities at Old Oak and act as a catalyst for regeneration, the next stage of design (RIBA3) must incorporate access and connectivity to the surrounding area, and development at the HS2 sites adjacent to the station (OSD). Without this, the opportunity to deliver the strategic benefits (growth and regeneration) will be lost.

MAYOR OF LONDON

Within the MoU, air rights to development at the HS2 sites at Old Oak Common are included in the proposed sites to transfer, along with an in principle commitment that my predecessor made to underwrite the costs of any enabling works. I am unable to honour this commitment without understanding how any such costs might be recuperated, and how OPDC would have control over the procurement, design, and construction process associated with any development at this site. Given Government are the sponsors of HS2, I am keen to understand whether Government might be better placed to lead this work?

With amended terms of land transfer, a clear business case for central government investment in infrastructure, and clear commercial strategies for development at Old Oak Common, there is far greater potential that the wider benefits of HS2 at Old Oak will be delivered. I trust that DfT, as sole funder of HS2 and as ultimately accountable for the delivery of the programme's strategic benefits, including regeneration and growth, will support my asks.

Yours sincerely,



Sadiq Khan
Mayor of London

Cc: Gavin Barwell MP, Minister for London

MAYOR OF LONDON

Rt Hon Chris Grayling MP
Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Our ref: MGLA260117-0640

Date: 09 MAR 2017

Dear Chris,

Re: Metropolitan Line Extension (Croxley Rail Link)

Thank you for your letter of 17 January about the Metropolitan line extension project.

Under direction from the previous Mayor, Transport for London (TfL) is managing the delivery of this project and is making a direct funding contribution to it that currently stands at £49.23 million.

Since taking over the delivery of the project on 20 November 2015, TfL has been working with the supply chain and Network Rail to obtain firmer costs for the project. This work is clearly indicating that the project cannot be delivered within the current total funding package of £284.4 million; a figure which has proven to be woefully short. TfL's current estimate is that more than £50 million would be required.

There has been no change in the project's scope and this increased cost is a reflection of what the market is telling TfL. TfL has carried out significant detailed work to explore whether the cost can be brought down, and it cannot. The current funding arrangements and Mayoral Directions mean that the estimated more than £50 million cost addition would be borne by TfL, which would increase its cost exposure on the project to nearly £100 million – double the original commitment.

I want to make clear that I am not opposed to the scheme going ahead. However, TfL has published a Business Plan that responds to the financial constraints imposed by the Government's decision to remove its operating grant, and our focus now has to be on delivering that plan. In that context, I am of the view that it would be inappropriate for TfL to be held responsible for what we have now established are the true costs. If the scheme is to proceed, the Department or local funders will need to underwrite those additional costs.

This view is reinforced by the fact that the extension is not located within London – and you have recently and repeatedly voiced your view that we should not blur cross-border accountability for rail services – and that the already poor benefit-to-cost ratio will decrease further as a result of our understanding of the project's true cost.

MAYOR OF LONDON

I think it would be helpful for your officials to meet with TfL and the local funding partners to consider how delivery of the scheme can best be funded and managed, given the more accurate understanding we now have of the project's true cost. This would also give them the opportunity to discuss alternative transport schemes that may be more affordable.

Thank you again for writing.

Yours sincerely,



Sadiq Khan
Mayor of London



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27 March 2017

TRANSPORT FOR LONDON FUNDING AGREEMENT

1. This letter sets out a funding agreement for Transport for London (TfL) for the years 2017/18-2020/21.
2. We continue to have a shared commitment to ensure delivery of the programme of tube upgrades, improvements to London's road network and delivery of Crossrail, all of which are essential not just to London, but to the national economy as a whole. The funding agreement set out in this letter supports essential investment in London's transport while encouraging TfL to deliver ambitious plans to further improve its efficiency, so that it can make an appropriate contribution towards necessary savings in public spending.
3. The Government is committed to supporting you in the delivery of TfL's cost reductions programme and commercial development income, particularly where legislative changes may be needed.

Basis of funding agreement and reviews

4. For the avoidance of doubt, any years quoted in this letter are financial years. This funding agreement replaces any other outstanding funding agreements reached for 2017/2018 onwards. It sets out my present intentions in relation to the Department for Transport's (DfT) funding of TfL for the years 2017/18-2020/21.
5. It also sets out the basis on which this funding is being provided. Except where otherwise expressly indicated, this letter sets out the totality of DfT grant and borrowing support for TfL for 2017/18-2020/21. Although it is my firm intention as Secretary of State to provide the support on the basis described, I cannot give a wholly binding commitment since I cannot fetter my ability, or that of a future Secretary of State, to determine final grant levels as I see fit in response to relevant considerations.

6. This settlement has been determined after consultation with you, as Mayor, and with TfL officials, and takes into account, amongst other things TfL's existing and anticipated spending commitments and potential revenue during this period.
7. It is our shared intention that TfL will manage the financing of the activities across its business and estate within the levels of borrowing and grant funding set out below, and taking into account its other sources of income, including income from fares and non-domestic rates retained by the Greater London Authority (GLA) under the Business Rates Retention (BRR) scheme. These activities include:
 - TfL's transport and corporate activities;
 - Pensions;
 - TfL's obligations toward third parties;
 - PFIs;
 - TfL's Crossrail contribution; and
 - The funding of the Independent Investment Programme Advisory Group.
8. To be assured that the financial support provided to TfL delivers value for money to the taxpayer and to provide independent assurance of TfL's Investment Programme, this settlement assumes your continued commitment to the Independent Investment Programme Advisory Group (IIPAG) whose terms of reference I understand that you are reviewing.

Business Rates

9. The Chancellor announced in the 2016 budget that, as part of the Government's devolution strategy, the Department for Transport would no longer pay any investment grant to the GLA from April 2017. Instead, the GLA will receive an equivalent amount through retention of a larger proportion of London's business rates. The high level principles of this agreement between the Government and the GLA are set out in annex C.
10. As a result of these changes, the existing Investment Grant (CDEL) will cease to be paid by the Department and will instead become part of your business rates income. From April 2017, the GLA will retain an additional amount in business rates that will be sufficient to cover the TfL investment grant as shown in annex C. We continue to expect this money to be used for transport and particularly infrastructure investment as set out in annex C.
11. This approach to investment funding is being piloted by the GLA in advance of the wider changes to the Business Rates Retention Scheme. The Government intends that the piloted approach should be without detriment to the resources that would have been available to the GLA for TfL.

Funding Settlements

12. My firm intention is that, subject to the final grant determination process and taking into account the matters raised below, my Department will provide funding to TfL over the period to 2020/21 as set out in table 1 below. A proposed payment schedule for 2017/2018 is at annex D.

13. This is a change to the previous settlement letter that was sent from the Department for Transport to the Mayor of London on 1 March 2016, to reflect the changes to the Business Rates Retention Scheme in London.

Table 1: summary of funding intentions (all figures in £m cash)

	2017/18	2018/19	2019/20	2020/21
Investment grant (CDEL)	0	0	0	0
General grant (RDEL)	228	0	0	0
LOROL grant	27	27	27	0

Other funding

Borrowing

14. TfL's borrowing to fund capital expenditure is to be contained within the profile in Table 2 below. TfL are able to defer borrowing from one year to the next until they need it, provided they inform the relevant HMT officials at least eight weeks ahead of the end of the financial year in question that they intend to delay borrowing from that year to the next.
15. TfL will also be allowed to borrow for short-term working capital in line with other local authorities as set out in the CIPFA Prudential Code. Otherwise borrowing is only to be used for capital investment. It remains my expectation that TfL will not undertake borrowing in advance of need.
16. In conjunction with these new flexibilities, TfL should continue to engage with the OBR on a six monthly basis and seek to share short-term projections to help enable more accurate forecasts of borrowing and expenditure.

Table 2: TfL prudential borrowing limits

£m (cash)	2017/18	2018/19	2019/20	2020/21
TfL borrowing	950 ¹	500	500	600

17. No further borrowing should be undertaken without specific agreement from HM Treasury. Guidance on interpretation of borrowing limits and PFI accounting treatment is set out at **Annex A**.

Deliverables

18. This settlement has been drawn up on the basis that these funding and borrowing limits will allow TfL to take forward its investment programme and deliver **the agreed milestones listed at Annex B**.

¹ This reflects the fact that you have deferred £50m of borrowing from 2016/2017

Crossrail 2

19. The Government remains strongly supportive of the Crossrail 2 project and we have agreed to contribute a total of £80m from the Transport Development Fund to continue the development of the business case for it. TfL have agreed to match-fund this contribution. The profile of annual budgets and governance arrangements for agreeing spending on the scheme development going forward, including how the funds will be transferred, will be agreed in a side letter before the end of FY16/17. For clarity we have transferred £26m from the budget for FY16/17 of £36m.
20. No further commitment to the scheme has been made at this stage and the agreement of a fair, sustainable and deliverable funding settlement will be a prerequisite for the deposit of a hybrid bill.
21. The Department reserves the right to reconsider how the TDF funding is allocated depending on the decision taken on the SOBC by the SoS and central Government.

London Overground

22. In 2017/2018, we will pay the London Overground grant of £27,071m in four weekly instalments alongside the general grant. We will agree at a later date the payment schedule for the London Overground grant in 2018/2019 and 2019/2020.
23. As you know, these payments will cease altogether after 2019/2020 as set out in SR15.

Old Oak Common

24. I note your recent letter requesting amendments to the Memorandum of Understanding agreed between my Department and the Old Oak Common and Park Royal Development Corporation, including for government to fund the enabling works for development around the HS2 station in Old Oak Common. I will consider your request and respond in due course. Any discussion on direct or indirect funding from central government will require a clear rationale given the existing significant government commitments to London and the fact that benefits from development will accrue to London in taxes and jobs. I have asked my officials to work with the GLA to understand the detail of your proposition further.

Croxley Rail Link

25. This funding is also being provided on the assumption that you will continue to take forward the delivery of the Metropolitan Line Extension (otherwise known as the Croxley Rail Link), as agreed by your predecessor. Should you decide not to do this, or should there be significant further delay to the project, the Department would claw back funding that has already been provided to you for it, and adjust future borrowing limits downwards to reflect the fact that you will no longer need to borrow funding for this project.

Air Quality

26. I am grateful to your officials for their input into the update to the National Air Quality Plan for Nitrogen Dioxide, which is currently being developed. I know that we both recognise the importance of delivering compliance with legal obligations on air quality

and I will continue to look to you to take the lead on the measures for London which we agree are necessary as part of the new Plan.

Skills

27. I am grateful to your officials for their collaboration with the Department and infrastructure client bodies on transport infrastructure skills, and for the Commissioner's chairmanship of the Strategic Transport Apprenticeship Taskforce. I know that we both recognise the importance of developing a sustainable pipeline of skills and the role our significant investment can play in leveraging this development across the sector. I will look to you to ensure this collaboration continues.

Rail fares

28. The Government has made a commitment that rail fare increases nationally will be held at RPI inflation over this parliament. This settlement assumes that TfL's income from fares in London will rise broadly in line with your Business Plan assumptions, and the settlement will not be adjusted to take account of any future decisions you make on fares.

Other financial flexibilities

29. HMT will also continue to work closely with TfL and the Department to explore granting TfL some other financial flexibilities. My officials will discuss the detail of this with TfL. Separate discussions are continuing between our officials on the question of whether TfL might also be able to temporarily draw upon some of the Crossrail cash balances held in the Crossrail Sponsor Funding Account (SFA).

Future Reviews

30. As Secretary of State, I reserve the right to review this funding agreement if there is significant deviation from the commitments referred to above. The agreement may also be subject to review in the context of a further government Spending Review or other wider pressures on the Department's finances or those of the Government as a whole, or the emergence of external pressures beyond the control of TfL or GLA, on the TfL budget.

31. In any future review, the Government will take all relevant circumstances into account including:

- a) Delivery of the transport infrastructure milestones listed in Annex B;
- b) Adherence to the agreed borrowing limits in this letter;
- c) The extent to which TfL has managed its business and estate, including the use that TfL and the Mayor have made of their capacity to raise further income and reduce expenditure; and the extent to which any exceptional pressures on TfL's budget could have been, or can be, prevented or alleviated by them;
- d) DfT's public expenditure position and other pressures on the Department's budget and the finances of the Government generally;
- e) Whether TfL has met its existing funding commitments and obligations in relation to the Crossrail project;

- f) Amounts available for the GLA to transfer to TfL under the BRR scheme; and
- g) The proposed further devolution of business rates in London.

32. I acknowledge that in order to achieve some of the milestones efficiently, TfL will need to enter into contractual commitments that extend beyond 2020/21. The Government will take account of these when considering levels of grant and borrowing headroom in future Spending Reviews.

ANNEX A: GUIDANCE ON INTERPRETATION OF BORROWING LIMITS AND PFI ACCOUNTING TREATMENT

The borrowing limits set out in this letter relate to net additions to borrowing, or other on-balance sheet liabilities, across the TfL Group. Within these overall limits, TfL should manage its liabilities as it sees fit; this may include swapping finance leases (as measured for National Accounts purposes) with borrowing undertaken at the TfL level, subject to there being no overall increase in liabilities across the TfL Group.

Following the adoption of IFRS from 2009/10, HM Treasury has prepared guidance for central Government Departments regarding the budgetary treatment of PFIs. In determining whether PFI transactions undertaken by TfL or its subsidiaries score within the borrowing limits, TfL should take account of the impact of those transactions on the National Accounts rather than the accounting treatment under IFRS. To determine whether a particular transaction should be treated as on or off balance-sheet for National Accounts purposes, TfL should follow the guidance on HM Treasury website: "Consolidated Budgeting Guidance" which is updated each year. TfL should consult with the Department if there is any uncertainty over the interpretation of this guidance. Contracts signed before 2009 will continue to be treated as they were under UK GAAP (as a proxy for the National Accounts framework of the time) for budgeting purposes unless there is a material change to the relevant PFI contract, at which point the PFI contract should be reassessed against the latest framework (currently ESA10) and following the guidance on HM Treasury website "Consolidated Budgeting Guidance".

The Department is aware that changes to the treatment of leases under IFRS are under consideration. No decisions have yet been taken on how such changes, if they were to come about, would affect budgets and borrowing limits in the public sector.

ANNEX B: INDICATIVE INFRASTRUCTURE AND SCHEME DELIVERY MILESTONES

ITEM	MILESTONE	DATE
Part one: short term milestones		
1.	Completion of Phase 1 of Structures and Tunnels Investment Programme which involves major renewal and replacement works on the Capital's most important bridges and tunnels including Highbury corner, Ardleigh Green Bridge, Power Road, Upper Holloway and Fore Street Tunnel	2017
2.	Victoria Station Upgrade – Northern ticket hall complete, including step-free access to all platforms via lifts.	2017
3.	Bond Street station upgrade complete, including a new station entrance and step-free access to all platforms.	2017
4.	Victoria Line Upgrade to 36 trains per hour	2017
5.	Archway Gyratory Better Junctions, construction complete (excluding Despard Road Loading Bay)	2017
6.	London Underground Track renewals: drainage (2,500 metres), track renewal and re-ballast (7,000 metres) and Deep Tube track (2,500 metres)	2018
7.	Elizabeth Line fully open and extends to Reading	2019
Part two: longer term priorities		
8.	Progress the Road Reliability Programme to ensure road assets are fit for the future, including major highways enhancements and phase 2 of the Structures and Tunnels Investment Programme to improve reliability of the road network and reduce congestion.	
9.	Progress investment in healthy streets to improve public spaces and increase walking and cycling (eg cycle network improvements, vision zero, liveable neighbourhoods and Oxford Street Pedestrianisation)	
10.	Progress investment to deliver improvements in London's air quality and carbon footprint, through new infrastructure to enable and incentivise cleaner vehicles (eg ULEZ, Greenwich power station upgrade, Hybrid buses)	
11.	Progress river crossings programme (eg Rotherhithe)	
12.	Progress the delivery of additional capacity on the existing Rail & Underground network through line upgrades and additional capacity programmes (e.g Four Lines Modernisation Programme and Deep Tube Upgrade Programme).	
13.	Progress a number of key line extensions to add new capacity to the Rail & Underground network (e.g. Crossrail 2, Bakerloo Line Extension, Sutton Tramlink Extension, Croydon Tramlink Dingwall Road Loop, Metropolitan Line Extension, Barking Riverside)	
14.	Deliver a programme of Rail & Underground core asset renewals which focuses on the provision of safe and reliable services for customers.	
15.	Progress programme to improve accessibility at tube stations including schemes to deliver 40% fully step-free station access by 2021/22	

Annex C – Business Rates Retention

PILOTING THE APPROACH TO 100% BUSINESS RATES RETENTION IN THE GREATER LONDON AUTHORITY FROM 2017/18

This note sets out the high level principles agreed between the Government and the Greater London Authority (GLA) regarding the Budget 2016 announcement that the GLA will receive an increase in the share of business rates retained from 2017/18 onwards in exchange for the reduction of TfL capital grant.

The Government and the GLA agree that:

1. The TfL Investment Grant (see funding definition in Table 1 below) will cease to be paid to the GLA from April 2017. The GLA will retain an additional amount in business rates from April 2017 that will be sufficient to cover the TfL Investment Grant amounts set out in Table 1 through an increase in the percentage of London’s business rates to be retained by the GLA. The GLA will in return take on full responsibility for funding TfL’s capital projects (excluding Crossrail 2 which will be subject to a separate funding discussion and any similar strategic or regional transport investment projects the Government may decide to part finance in the future).

Table 1:

£m	2017/18	2018/19	2019/20	2020/21
TfL Investment Grant	960	976	993	1010

2. The sum of retained taxes equivalent to the foregone TfL Investment Grant 2017/18 up to and including 2020/21 is expected to be earmarked for capital projects. The Government expects that this level of funding will continue to be spent on transport capital projects for the years covered by the existing Spending Review letter, and that the Mayor will use the funding to deliver the agreed programme of transport infrastructure investment and other commitments set out in that letter, including the “annex B milestones”. Any income in excess of those annual amounts is to be spent at the discretion of the GLA.
3. DCLG, HMT and GLA will work together to ensure appropriate accounting and accountability arrangements for the increase in the share of business rates retained by the GLA.
4. The precise details of the approaches to be piloted are to be worked up between the GLA and the Government over the coming months and will include the development of mechanisms to manage risk and reward under 100% rates retention. In developing pilot approaches to 100% rates retention, Government will work with the GLA and London Boroughs to deal with the financial impacts for London of an increased business rates percentage, including the impact on the GLA’s resources of appeal risk, provisions and prior year adjustments. While the GLA accepts the risks and rewards of this increased devolution, the Government intends the piloted approaches to be without detriment to the resources that would have been available to the GLA under the current local government finance regime, meaning that during the course of the pilot the Mayor will have sufficient resources to cover capital investment broadly in line with current levels.
5. The GLA will work with the Government to explore with the 32 London boroughs and the Corporation of London the options for implementing a full 100% retention pilot in London ahead of the implementation of the national reforms, including options for dealing with any potential increase in appeal risk and provisions.

6. The GLA will support DCLG and the Department for Transport in achieving the necessary legislative changes to the GLA Act 1999, the Local Government Finance Act 1988 and the Local Government Finance Act 2012 and other applicable legislation, and in creating new statutory instruments as necessary.
7. This is an opportunity to pilot approaches to 100% business rate retention and for the GLA to receive some of the benefits of 100% retention ahead of full roll out, but these arrangements do not prejudice the final scheme design for the 100% business rate retention.

Stuart Hoggan

Stuart Hoggan
Deputy Director, Local Government Finance
Department for Communities and Local Government

David Gallie
Assistant Director, Finance
Greater London Authority

Annex D – Schedule of payments for 2017/2018

Payment no	Period	Amount (£)	LOROL (£)	Date to arrive in GLA bank
1	1 Apr – 30 Apr	17,538,461.50	2,082,385	Mon 6 Apr 2017
2	1 May – 28 May	17,538,461.50	2,082,385	Tue 2 May 2017
3	29 May – 25 June	17,538,461.50	2,082,385	Tues 30 May 2017
4	26 June – 23 July	17,538,461.50	2,082,385	Mon 26 Jun 2017
5	24 July – 20 Aug	17,538,461.50	2,082,385	Mon 24 Jul 2017
6	21 Aug – 17 Sept	17,538,461.50	2,082,385	Mon 21 Aug 2017
7	18 Sept – 15 Oct	17,538,461.50	2,082,385	Mon 18 Sept 2017
8	16 Oct – 12 Nov	17,538,461.50	2,082,385	Mon 16 Oct 2017
9	13 Nov – 10 Dec	17,538,461.50	2,082,385	Mon 13 Nov 2017
10	11 Dec – 7 Jan	17,538,461.50	2,082,385	Mon 11 Dec 2017
11	8 Jan – 4 Feb	17,538,461.50	2,082,385	Mon 8 Jan 2018
12	5 Feb – 4 March	17,538,461.50	2,082,385	Mon 5 Feb 2018
13	5 Mar – 30 Mar	17,538,461.50	2,082,380	Mon 5 Mar 2018
		228,000,000	27,071,000	

With best wish



Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT



MAYOR OF LONDON

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for Croydon
www.croydon.gov.uk

Rt Hon Chris Grayling MP
Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Date: 27 APR 2017

Dear Chris,

Brighton Mainline Upgrade

We are writing in support the case for the Brighton mainline upgrade and specifically the reconstruction, as soon as possible, of junctions around the Selhurst triangle and building additional platforms at East Croydon station. Some of Surrey's train services with destinations in the capital passing this area are amongst the most overcrowded in England and Wales. Crammed train carriages are the bane of every commuter's life and the Department for Transport's own figures show why investment is vital for passengers and businesses on what is also London's critical link to Gatwick airport.

You will of course be familiar with the importance of the Brighton mainline. There are 1,600 trains per day using the infrastructure in and around Croydon. East Croydon station is the 17th busiest of the 2,500 in the UK with 24 million passengers per year, up from 15 million ten years previously, and it is also the second busiest National Rail interchange. The London and South East market study forecasts an average of 60% growth by 2043 on a railway that is heavily used with standing expected in 2023 on London trains from East Croydon inwards, despite the beneficial impact of the Thameslink programme, and the whole way to/from Brighton by 2043. This part of the railway is the critical pinch-point along the whole line, and without new capacity here, there is no ability to improve train frequencies anywhere else. Nor indeed would there be an ability to materially improve performance, which is among the worst in the whole of the UK.

We believe this is the highest priority of the next generation of schemes as we approach the completion of work on Thameslink and Crossrail. We believe that a "decision to develop" the proposed works in the Croydon area should be taken immediately with the intent to reach a "decision to build" by 2019. You will be aware that a significant amount of feasibility work has already been undertaken and the strategic outline business case shows that it offers high value for money. You will also be aware that there is a timing imperative due to the scheme only remaining viable whilst critical land in the East Croydon station area stays undeveloped.

Our residents need a railway that will continue to support positively the mobility they need, along with jobs and the associated wealth creation that is required to maintain our prosperity in a challenging business environment. For these reasons we sincerely hope that you will be able to provide support for this vital investment when you announce the priorities for Control Period 6.

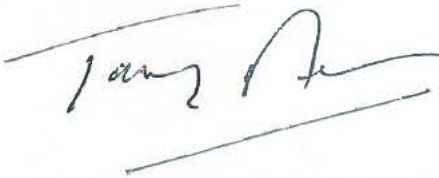
Yours sincerely,



Sadiq Khan
Mayor of London



David McNulty
Chief Executive of Surrey County Council



Cllr Tony Newman
Leader of London Borough of Croydon

MAYOR OF LONDON

Rt Hon Chris Grayling MP
Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Date: 28 APR 2017

Dear Chris,

As you know, I am determined to create a vibrant taxi and private hire market, with space for all providers to flourish.

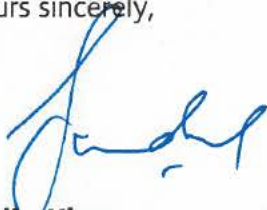
Val Shawcross CBE, my Deputy Mayor for Transport, and Mike Brown MVO, London's Transport Commissioner, have used every opportunity to raise issues of taxi and private hire regulation with your Ministers since I published my Taxi and Private Hire Action Plan last year. My Deputy Mayor for Transport has attended two meetings with your Parliamentary Under-Secretary of State Lord Ahmad - on 16 March 2017 and 3 November 2016 - in which they discussed private hire vehicle regulation. She has also written to your Parliamentary Under-Secretary of State Andrew Jones a number of times on private hire vehicle regulation. I also raised the issue with the former Transport Secretary and officials at a meeting on 13 June and I have raised it with other Ministers, including the Chancellor and Chief Secretary to the Treasury just a few weeks ago.

I am therefore puzzled by your public claim and recent response to a Parliamentary Question (72004) that the issue of capping the number of private hire vehicles in London has not been raised with Ministers. Lord Ahmad acknowledged as recently ago as 7 April that discussions have been taking place between DfT and City Hall on the issue of private hire regulation (HL6366). Nevertheless, I am happy to make the case again.

At present, Transport for London must license anyone who meets the criteria. There has been a significant increase in recent years, which is unsustainable in terms of congestion and air quality and for drivers who are struggling to make enough money to support themselves and their families. That's why the power to set a cap makes sense and I have been calling publicly for it, at every possible opportunity.

It is disappointing that you have not been fully briefed on this matter and I would be happy to send you and your officials any further information if required.

Yours sincerely,



Sadiq Khan
Mayor of London

Cc: Gavin Barwell MP, Minister for London



Department
for Transport

Sadiq Khan
Mayor of London
City Hall
London SE1 2AA

From the Secretary of State
The Rt. Hon. Chris Grayling

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: 0300 330 3000
E-Mail: chris.grayling@dft.gsi.gov.uk

Web site: www.gov.uk/dft

Our Ref: MC/197283

2 May, 2017

Dear Sadiq,

I am writing in response to your letter of 28 April.

I am aware that various issues relating to taxis and private hire vehicles have been raised with the Department on a number of occasions by Val Shawcross and others, both in writing and at meetings. But, it remains the case that the specific issue of a possible cap on the number of PHVs has not been formally raised either with me or with other DfT ministers. We have checked carefully, but have received no written correspondence from you on this particular issue, nor do we have any record of a possible cap being raised at ministerial meetings.

Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT



RT. HON. CHRIS GRAYLING MP
Member of Parliament for Epsom and Ewell
House of Commons
London
SW1A 0AA

Sadiq Khan
Mayor of London
City Hall
The Queen's Walk
London SE1 2AA

KC
20 MAY 16

18 May 2016

S. Khan

I hope you are enjoying your new role.

I am writing to you at the request of a number of London taxi drivers who live across the Surrey county boundary in my constituent of Epsom and Ewell. They have asked me to contact you with their concerns about the London taxi trade. A sample email outlining their concerns is enclosed for you, and I would be grateful for your comments please on the issues raised.

With best wishes

Yours sincerely

Chris Grayling

I am a London taxi driver and have held a London taxi licence for over 13 years. My trade has been devastated by Uber who employ over 37,000 (rising by 600 a week) cheap labour to drive Private Hire Vehicles in London.

I have no problem with fair competition but Uber have circumnavigated all the rules demanded of PHV's with the collaboration of Leon Daniels who is TFL's Managing Director of Surface Transport.

Leon Daniels has in his capacity as Managing Director of Surface Transport for TfL, approved and introduced measures that have brought London's capital to a standstill, increasing congestion, increasing pollution, costing business and citizens millions of pounds.

He misled the GLA Transport Committee by stating on record that Private Hire drivers do not need "full time" Hire and Reward insurance policies, that they can purchase "On-Off" Hire and Reward insurance (inferring that it is not necessary for TfL as the regulator to ensure all Private Hire Vehicles are continually insured correctly) See video.

https://youtu.be/R8RRW_0pgmo

The Association of British Insurers have confirmed, no such policy exists.



United Cabbies Group

@UnitedCabbies

We have confirmation from
Association of British Insurers
there is NO such thing as On/
Off HR ins.

All Phv **MUST** have
continuous HR cover

Leon Daniels stated publicly on record in the media that Uber were not using a taximeter to conduct business and then subsequently appointed QC Martin Chamberlain to uphold his view by failing to make the case properly.

Mr Daniels was later questioned by the GLA Transport Committee on record, as to why TfL hadn't insisted that Uber have a manned telephone line, as per the 1998 Private Hire act requires, to which he attempted to obfuscate the issue by telling the GLA committee that the wording of the act is vague and only means that an operator is required to have a land line telephone on the day the license is applied for.

Leon Daniels has now been found to have been in communication via email, assisting Uber UK to word their PR, advertising and complaint responses, so as to mislead the public and further blur the lines between Private Hire and Hackney Carriage and hence place public safety at risk.

From: Daniels Leon
Sent: 10 May 2015 08:33
To: Jo Bertram
Cc: Emmerson Garrett; Blake Peter; Taylor Lisa
Subject: Fw: Tweet about pre-booking

Sorry - hadn't entirely finished before sending

Since "pre-booking" is the rationale behind PHVs it really is unwise to deny you do it in this way. I accept that the phrase used is the one by the customer but is now being used to complain that we are allowing something we shouldn't

I am not really very impressed having to try and explain long term prebooking vs short term prebooking

Leon

From: Daniels Leon <[REDACTED]>
Sent: Sunday, 10 May 2015 08:16
To: Jo Bertram
Cc: Emmerson Garrett; Blake Peter; Taylor Lisa
Subject: Tweet about pre-booking

Jo I am getting a ton of tweets, insulting as usual, about this message from your customer service to a client

Taken from the front page of the Badge news paper.

I therefore request that you as my MP ask Sadiq Khan the new London Mayor, who has overall responsibility for TfL and it's actions, to either confirm or deny if Mr Daniel's has or has not been in direct contact with Uber regarding their responses to various bodies.

I am sure that you will agree, such behaviour if proven, would be in breach of his remit and could be construed as malfeasance and as such should trigger an investigation.

Yours sincerely,

MAYOR OF LONDON

Rt Hon Chris Grayling MP
House of Commons
London SW1A 0AA

Our ref: MGLA240516-2647

Date: 14 JUL 2016

Dear Chris,

Thank you for your letter of 18 May on behalf of your constituents about their concerns over London's taxi and private hire trades. I am sorry for the delay in responding to you.

I understand the concerns your constituents have raised and I would like to reassure them that I am a proud supporter of London's black cabs, which remain the finest in the world. London's black taxi drivers are highly trained and properly checked to a high safety standard, drive wheelchair accessible vehicles and have the incredible geographical recall and sense of direction unique to those with The Knowledge. It's understandable that the black cab is an icon known around the world and a source of pride for Londoners.

The taxi and private hire market in London has changed significantly in recent years, with the rise of digital technology and new smartphone app-based business models changing the way passengers make bookings. This in turn has led to a significant increase in both the number of private hire vehicles (PHVs) in London and the demand for them. I understand that this period of significant change has caused uncertainty for the black cab trade. I am committed to stabilising and promoting the black cab trade and there will be a substantive change of direction under my mayoralty. A package of measures to secure the future for London's taxi trade, and its special status, is being developed for me to review.

As it currently stands, Transport for London (TfL) is legally obliged to issue a licence to anyone that meets the statutory criteria for licensing and has no legal power to introduce a cap. Having said this, I will be looking at the options available to me to introduce a cap on the number of PHVs in London, using any appropriate powers available. I am also seeking additional powers to regulate rickshaws on London's streets, which will help eliminate congestion and traffic.

In relation to your constituents' concerns about Uber and its operation in London, please be assured that Uber had to meet the same licensing requirements as any other applicant for an operator's licence and is subject to all legislation which applies to private hire operators in the capital.

MAYOR OF LONDON

There have been concerns about the smartphone device which Uber drivers use. In order to ensure that a difficult legal provision is being applied correctly, TfL applied to the High Court for a decision on how the taximeter prohibition should be applied to PHVs. In October, the High Court declared that Uber's use of a smartphone and app, while enabling the calculation of fares to take place, was not a device for calculating fares in breach of the taximeter prohibition. The court also found that it was drivers, not their vehicles, who are equipped with smartphones.

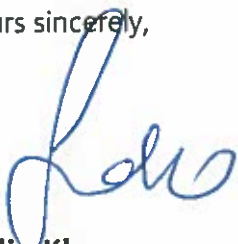
With regards to hire and reward insurance policies, it is common for PHV owners (both fleet operators and individual drivers) not to permanently insure their vehicles for hire and reward purposes. As it stands, it is only a requirement for PHVs to carry hire and reward insurance when they are undertaking private hire bookings.

Having said this, TfL has fully considered hire and reward insurance as a part of its review of private hire regulations. Stricter insurance requirements will be placed on all PHVs and drivers which will enhance passenger safety. Vehicles will be required to have hire and reward insurance in place at the point of vehicle licensing and for the duration of the vehicles licence. Furthermore, drivers will also be required to carry or display their insurance documents at all times which will bring PHVs in line with the requirements for taxis.

Because black cabs are such an essential part of London's transport network and the wider economy, their special status needs to be formally recognised and secured in policy. This is why my new Transport Strategy, which is currently being developed, will include an explicit commitment to protecting and maintaining the taxi trade, which will help to address the concerns raised by your constituents.

Thank you again for writing to me.

Yours sincerely,



Sadiq Khan
Mayor of London

KC CONSTITUENT

CHECKED NM



TT
—

RT. HON. CHRIS GRAYLING MP
Member of Parliament for Epsom and Ewell
House of Commons
London
SW1A 0AA

05 OCT 2016

Sadiq Khan
Mayor of London
City Hall
The Queen's Walk
London SE1 2AA

30 September 2016

Sadiq

I am enclosing a copy of a letter I have had from [REDACTED]
[REDACTED] based in my constituency.

As you will see, [REDACTED] has considerable reservations about the proposed Ultra Low Emission Zone, which he believes will have a significant impact upon his business. I promised that I would forward you his concerns and would be grateful for your comments please on the points he has raised.

With best wishes

Attachment removed Regulation 13 Personal Information

MAYOR OF LONDON

Rt Hon Chris Grayling MP
House of Commons
London SW1A 0AA

Our ref: MGLA101016-8379

Date: 14 NOV 2016

Dear Chris,

Thank you for your letter of 5 October on behalf of your constituent [REDACTED] about the Ultra Low Emission Zone (ULEZ) and [REDACTED]. I would like to assure you that I understand and value the role [REDACTED] play in supporting London's economy.

This being said, with around 9,500 Londoners dying from long-term exposure to air pollution every year and over 400 schools in areas exceeding safe legal pollution levels, it is imperative that we take ambitious and urgent action on poor air quality in London.

The ULEZ is presently due to come into effect from September 2020. All vehicles which are not compliant with exhaust emission standards (Euro VI equivalent) can still be driven into the zone, but will be subject to a daily charge. For heavy vehicles such as coaches this would be £100.

I made a clear pledge during the election campaign to take greater action to clean up London's air. I have recently undertaken a consultation on high level proposals to further improve air quality in London and I am delighted that nearly 15,000 people responded showing the strength of feeling there is on this issue. Proposals include:

- Introducing an emissions surcharge within central London from 2017 to most older vehicles – This is a Euro IV standard;
- Introducing ULEZ one year earlier within the central zone in 2019;
- Widening the geographical zone for all vehicles to the north and south circular road boundary in 2020;
- Widening the geographical zone for all heavy vehicles to the Low Emission Zone (LEZ) boundary in 2020.

As part of the consultation we have received representations from the coach industry, raising similar issues to those mentioned by your constituent. These comments will be addressed as part of the consultation reporting process.

MAYOR OF LONDON

TfL also engages regularly with [REDACTED] and they have also raised similar concerns to those that your constituent has raised with you.

Beyond this initial consultation there are two further statutory consultation phases over the next 18 months. These are:

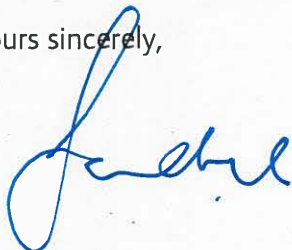
- Phase 2 – October – December 2016: A statutory consultation on the introduction of a new Emissions Surcharge within central London from 2017; and
- Phase 3 – autumn 2017: A statutory consultation on proposals including the widening of the ULEZ boundary to include more of inner London and the tightening of the emission standards for the London wide Low Emission Zone.

Phase 2 is now underway and I would strongly urge your constituent to take part in this consultation. More information is available on TfL's website at: <https://consultations.tfl.gov.uk/environment/air-quality-consultation-phase-2/?cid=airquality-consultation>. I would also encourage your constituent to participate in phase 3 when it is published on the TfL website.

I would like to reassure you that I will take the representations of the coach industry fully in to consideration when taking any final decisions. I do, however, have a clear mandate from Londoners to tackle poor air quality and I intend to be ambitious in doing so.

Thank you again for taking the time to write to me.

Yours sincerely,



Sadiq Khan
Mayor of London