Devolving rail services to London
Towards a South London Metro
October 2015
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Terms of reference

The Transport Committee agreed the following terms of reference for an investigation into National Rail services in London at its meeting on 9 June 2015.

- To consider major problems facing the rail network in London and how these could be addressed.
- To examine the case for devolving more National Rail services to the Mayor and Transport for London, and different models of devolution that may be used.
- To identify steps the Mayor and Transport for London could take to help achieve further devolution of National Rail services.
Foreword

Rail passengers in London are fed up. Far too often their trains are late or cancelled, and when they do arrive they might be too crowded to board. To make matters worse, the cost of rail travel in London has been increasing above inflation for a decade.

In a rapidly growing city, struggling with road congestion and traffic-based air pollution, an efficient public transport network is of vital importance. Yet London’s rail network could be more effectively run and make much better use of our constrained track infrastructure. What’s more, passengers could be spared some of the miserable aspects of their daily commute – unreliability, overcrowding, poor information and shoddy customer services.

Something has to change. For some Londoners, of course, something already has. It’s about eight years now since Transport for London was given control of the old Silverlink franchise, and established the London Overground network. The impact of the change has been transformational. The service has longer, more frequent trains, more staff and – despite a huge spike in usage – it is much less crowded than other services. Crucial improvements have been made to disability access, passenger information and customer services. The stations are brighter, and much better equipped and provide a regenerated entry point to district centres and communities along the route. Passengers on the system aren’t just customers, they are London’s voters and now, if they need to, they can complain directly to their democratically elected Mayor.

In this investigation we set out to discover whether devolving control of other rail franchises is likely to have the same impact. We believe it can. With the higher levels of investment TfL can provide and strong performance management, passengers on other services could experience the same improvements. It will have wider benefits, too, as TfL can make strategic decisions to ensure the rail network supports regeneration in London and its surroundings.

The next question is whether the Mayor and TfL can convince the Government to make the change. We’ve already seen a shift in opinion during this investigation, with key stakeholders from outside London rethinking their previous opposition. There is a growing consensus in favour of devolution.

The Department for Transport will soon make a decision on the future of the South Eastern franchise. Devolving its suburban routes to TfL will be a major step toward creating a metro-style rail service across South London. There is enthusiastic cross party support for the action plan we set out in this report, and we believe it will enable the Mayor and TfL to make a persuasive case for reform.

Valerie Shawcross AM
Chair, Transport Committee
Executive summary

London needs a high capacity, frequent and reliable rail service to enable its economy to function and grow. Large parts of the city and its surroundings, however, are served by a rail network that is failing to meet passengers’ needs and struggling to cope with increasing demand.

Devolving control of suburban rail services to the Mayor and Transport for London will help address these problems. Devolution is not the only solution and will not lead to a radical transformation overnight but it is a reform that is proven to work.

The priority for the Mayor and TfL in the immediate future should be to gain control of suburban routes on three franchises serving south London, as this is where Londoners are most reliant on National Rail services. The first of these is the South Eastern franchise, due for renewal in 2018. There are, however, some significant challenges for the Mayor and TfL to overcome if it is to persuade the Government of the case for reform and run a large network of devolved services effectively.

Why devolve rail services?

Passengers’ experience of the rail network in London is often poor, and appears to be getting worse:

- Overcrowding has increased in recent years, with 40 per cent of morning peak services arriving in London carrying more passengers than train capacity allows.
- Reliability has fallen in recent years, with 16 per cent of London and South East rail services arriving at their destination at least five minutes late.
- The cost of rail travel has increased significantly, with a 16 per cent above-inflation increase in rail fares in the past decade.

In running the existing London Overground network TfL has demonstrated its ability to deliver higher standards and sustained investment in the service, and can be held to account for its performance by Londoners directly. Were TfL to gain control of additional rail services, the potential benefits may include:

- Higher capacity: TfL has invested heavily to introduce longer and more frequent trains on the London Overground, reducing crowding significantly.
- Better reliability: TfL has significantly 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.

There is strong support for rail devolution from a wide range of stakeholders. London businesses, passenger groups, local authorities inside and outside London, and trade unions have all backed the proposal to give TfL control of suburban rail services. In our survey of London rail passengers, a majority of respondents also supported the idea.

How to do it

There are several different models of rail devolution already in operation in London and elsewhere in the UK. TfL could become the direct operator of rail services, as it is with the London Underground. Alternatively, TfL could enhance its role in commissioning services by having more input in the Government’s franchising process. Our favoured approach is for TfL to replace the Department for Transport as the commissioning authority for suburban rail routes in London. TfL has demonstrated its ability to carry out this role already with the London Overground network and has the support of key stakeholders to expand the scope of its services further.

An important part of TfL’s approach is that it would run devolved services as concessions, rather than using the traditional franchise model used by the Department for Transport. Under the concession model, TfL would retain the revenue risk rather than passing this on to the appointed operator. TfL is in a stronger position to absorb this risk while continuing to invest in the network, while the operator can focus on delivering improved service performance.

Options for devolving rail infrastructure to London may also be considered in the future. With a complex, national rail network there is a need for a strong coordinating body to manage infrastructure, which is the role played by Network Rail. The planning and delivery of infrastructure upgrades could be enhanced if TfL has a greater role. As London’s population is set to grow rapidly, greater involvement of the Mayor and TfL is necessary to ensure rail infrastructure upgrades are planned with a long-term focus, taking into account housing needs and the development of London’s economy.

Risks and challenges to overcome

Devolution is not a simple or risk-free option for London’s suburban rail services, or for TfL. The Mayor and TfL must overcome a range of complex challenges if they are
to convince the Government of the benefits of further devolution, and thereafter deliver improved services:

- The political challenges centre on the need for support from London's neighbours. The Mayor’s devolution proposals envisage TfL running some services beyond the Greater London boundary – as far as Sevenoaks and Dartford in Kent – and more generally passengers outside London may be affected by changes in service patterns. During this investigation we have seen Kent County Council adopt a more supportive position on devolution of the South Eastern franchise, having opposed the Mayor’s previous proposals. There is support from other councils and users groups outside London, too, particularly in Sevenoaks, although a few of these organisations remain sceptical. The Mayor and TfL will need to develop ways to ensure cooperation across political boundaries, in particular by involving local authorities in the governance of devolved services.

- Practical challenges arise from the planned separation of an existing rail franchise into suburban and long-distance services. On the South Eastern franchise, for instance, rolling stock and staff would need to be separated and new arrangements put in place for depots. To avoid disruption and a loss of the economies of scale provided by large franchises, TfL will need to cooperate closely with other service operators.

- The financial challenge for the Mayor and TfL is to deliver high levels of investment in devolved services. This is necessary to deliver the promised improvements in service standards, as well as lower fares, but creates a risk that TfL may be committing to spend money without a clear plan for recouping it. An increase in ticket revenue may only partially meet these investment needs, given the difficulties of increasing capacity on suburban services that are already overcrowded. TfL needs to show it has a robust business plan for devolved services and can manage any financial risks.

**An action plan for the Mayor and TfL**

The Mayor and TfL still need to persuade the Government of the benefits of rail devolution to London. To help them do so, they need to win support across a wide group of stakeholders and address the risks and challenges they will face running devolved services. We think TfL needs to take a number of specific actions before it attempts to negotiate with the Government about devolving suburban routes of the South Eastern franchise:

- Develop a detailed business case for the South Eastern franchise covering TfL’s planned investments, potential for efficiencies, and revenue projections.

- Establish a steering group for the oversight of devolved services, including TfL, the GLA, London Boroughs, Kent County Council and district councils, which will also consult with passenger groups.
Hold discussions with Network Rail, Southeastern and other stakeholders about resolving potential practical issues separating suburban and long-distance services.

Seek agreement with London Councils about implications for funding of the Freedom Pass of TfL running additional rail services outside London.

Other actions should be implemented by the Mayor and TfL to advance the case for rail devolution more generally:

- Seek agreement with the Government about the possibility of devolving suburban services of the South Western franchise after a new operator has been appointed in 2017.
- Develop a programme for the engagement of rail passengers in discussions about rail devolution.
- Conduct a thorough assessment of the potential financial risks of devolution, including unanticipated maintenance work and low revenue growth.
- Make the case to the Government for greater TfL involvement in the planning and delivery of rail infrastructure upgrades.
1. Introduction: Rail services in London

Rail services are an increasingly vital method of public transport for Londoners, as well as those visiting or commuting to the city.¹ A total of 835 million journeys were made by passengers on rail services in London in 2013/14. Usage has increased significantly in recent years, as shown in Figure 1 below: the number of journeys made is 66 per cent higher than it was ten years earlier.²

Many of London’s rail passengers, particularly commuters, have no practical alternative transport options. They travel by train because they have to, rather than because they want to. Increases in usage have occurred despite evidence of consistently poor service performance in much of the city and rising ticket prices, as will be explored in this report. The trend is set to continue, with the Greater London Authority projecting that demand for rail services in London will increase 80 per cent by 2050.³

Who runs rail services?

A range of providers run rail services in London. ‘National Rail’ is, in effect, a brand name for a number of different heavy rail passenger services mostly run by private companies, which have been awarded franchises by the Department for Transport. There are eight franchises serving the London and South East region, as shown in Table 1 overleaf.

Figure 1: London has seen rapid growth in the number of rail journeys in the past two decades

![Figure 1: London has seen rapid growth in the number of rail journeys in the past two decades](source: Office of Rail and Road⁴)
Table 1: Rail franchises in the London and South East region

<table>
<thead>
<tr>
<th>Franchise</th>
<th>Franchisee (parent company)</th>
<th>Franchise term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Anglia(^5)</td>
<td>Abellio (Nederlandse Spoorwegen)</td>
<td>2012 - 2016</td>
</tr>
<tr>
<td>South Western</td>
<td>South West Trains (Stagecoach)</td>
<td>2007 - 2017</td>
</tr>
<tr>
<td>London Midland</td>
<td>London Midland (Gvia)</td>
<td>2007 - 2017</td>
</tr>
<tr>
<td>South Eastern</td>
<td>Southeastern (Gvia)</td>
<td>2006 - 2018</td>
</tr>
<tr>
<td>Greater Western</td>
<td>First Great Western (First Group)</td>
<td>2006 - 2019</td>
</tr>
<tr>
<td>Thameslink, Southern and</td>
<td>Govia Thameslink Railway (Gvia)</td>
<td>2014 - 2021</td>
</tr>
<tr>
<td>Great Northern</td>
<td>Chiltern Railways (DB Regio)</td>
<td>2002 - 2021</td>
</tr>
<tr>
<td>C2C</td>
<td>c2c (National Express)</td>
<td>2014 - 2029</td>
</tr>
</tbody>
</table>

Agreements between operators and the Government set out the financial terms of the franchise, in particular the level of revenue risk to be taken on by the operator and the subsidy the Government will provide (see Figure 2 overleaf).\(^6\) Franchise agreements also include service specifications and plans for any upgrade works to be carried out. As franchises reach the end of their term, the government will tender for a new franchisee, although in some cases it can also extend the contract through a direct award to the existing operator.

Network Rail is the owner of most infrastructure on the network, such as the track, equipment and train stations. Stations are generally managed by the franchisee running services through the station. The main exceptions to this are the major terminus stations, which are managed directly by Network Rail. Most rolling stock used by rail operators, including locomotives and carriages, is leased from one of three main rolling stock owning companies (Porterbrook, Eversholt and Angel Trains), although TfL has also obtained London Overground rolling stock directly from manufacturers.

In addition to rail franchises listed above, London’s rail services also include long-distance passenger franchises that connect the region to other parts of the UK, and the privately-owned Heathrow Express service. The London Overground service is managed by Transport for London, as discussed below. The rail network is also used for freight transport, which is managed by Network Rail.
Transport for London’s role

Transport for London’s primary role in relation to rail services is to manage the London Overground network. The London Overground network was established after the Silverlink franchise was devolved to TfL in 2007. At this time, TfL became the commissioning authority for the service rather than the Department for Transport, although the Overground remains an integrated part of the National Rail network. TfL appoints a private operator to run the service, currently London Overground Rail Operations Ltd (LOROL). The Overground network has been extended several times since 2007, most recently after the government devolved suburban services on the Greater Anglia franchise to TfL in May 2015.

TfL will also be the commissioning authority for the Crossrail service when this opens in 2018 as part of the National Rail network. An operator, MTR, has been appointed. A portion of the route, from Liverpool Street to Shenfield, is already being operated by MTR under TfL’s supervision, with services temporarily branded as ‘TfL Rail’.

As this report will explore, the Overground has emerged as one of London’s best-performing rail services in recent years, on measures such as crowding, reliability and passenger satisfaction. This has led to calls from the Mayor for the Government to devolve further rail franchises to TfL, allowing TfL to extend the Overground model.
Our investigation

The Transport Committee has previously investigated the performance of rail services, particularly in our 2009 report, *The Big Squeeze*, which highlighted the key pinch points on the network and called for a long-term infrastructure investment plan, more rigorous performance monitoring, and improved train design. We have since published reports into plans for the Crossrail and High Speed 2 lines, and engaged regularly with Network Rail and operators about infrastructure upgrades and service changes. Most recently, we scrutinised the service disruptions caused by problems with the Thameslink upgrade programme, calling for better coordination between Network Rail and operators, and enhanced compensation for passengers.

In this new investigation we have focused on the Mayor’s proposals for devolution, which are outlined in the next chapter of this report. We have re-examined the case for devolution, and considered whether the Mayor and TfL have identified the right delivery model to ensure devolution works for passengers. We have also considered the political, financial and practical barriers to devolution, and discussed how the Mayor and TfL might overcome these in future proposals.

Our investigation included extensive research into the performance of London’s rail services, site visits to view the operation of services first-hand, meetings with a wide range of experts and stakeholders – including those representing passengers outside London – and a survey of rail passengers in London about their experiences and priorities. This report makes recommendations about the steps we believe the Mayor and TfL need to take in the near future to strengthen their proposals, and improve their prospects of convincing the Government. Given the beginning of the process to re-let two major south London franchises is about to get underway, it is a matter of urgency that the Mayor and TfL get this right.
2. The need for change

There is evidence of poor performance of rail services in London. Passenger satisfaction with services is relatively low, with specific concerns about the cost, reliability and capacity of services. Complaint and compensation processes, which should provide the opportunity for passengers to address service failings, are also unsatisfactory.

Passenger satisfaction

Rail passengers in London and the South East are less satisfied with their journeys than passengers in the rest of the country, and passengers have been steadily getting less satisfied with their rail services for the last four years. Figure 4 below displays the overall satisfaction levels for the past decade. This shows that satisfaction with London and South East services is currently 78 per cent. This figure has fallen year-on-year for the past four years, and is consistently just below the national average, which is currently 80 per cent. It is important to note that respondents to the survey are asked about their experience of their most recent rail journey. This means that over one in five journeys on London services end with the passenger feeling less than satisfied with the experience.

Figure 3: Passenger satisfaction with rail services has declined in the past five years

Source: Transport Focus
In our own survey of London rail passengers, we asked passengers what their top three priorities were for improvements on the rail service they use. They were most concerned with price and performance: 9

- Reduce the cost of tickets (53 per cent of respondents)
- Reduce delays and cancellations (43 per cent)
- Increase the capacity of trains (30 per cent)
- Schedule more frequent trains (30 per cent)

**Price**

Since 2004, passengers have seen their average ticket prices increase by 62 per cent on London and South East rail services, or 16 per cent in real terms (taking inflation into account). 10 Figure 4 below shows how rail fare increases have outstripped inflation in the past decade. Part of the reason behind these fare increases has been the policy of successive governments to reduce the level of taxpayer subsidy for the rail industry. Between 2009/10 and 2013/14, government subsidy for the London and South East rail franchises fell from £1.5 billion to £760 million, representing a decrease of almost 50 per cent over four years. 11

*Figure 4: The average ticket price on London and South East rail services has increased above inflation for the past decade*

![Graph showing fare increases](source: Office of Rail and Road)
Crowding

Overcrowding on many services is severe. The Department for Transport measures the number of passengers travelling on train services, relative to the capacity of the train. In 2014, 40 per cent of all morning peak trains arriving at London terminals were carrying passengers in excess of capacity. As shown in Figure 5 below, the number of overcrowded services has risen significantly over the past three years, and far exceeds the average of other major cities in England and Wales, which is 14 per cent. The number of passengers arriving in London above the capacity of train services in the morning peak is now almost 22,000.

It is important to note that this data probably underestimates crowding, because passengers unable to board a train are not counted. We have heard from a number of rail users in London that they often must wait on platforms for several trains to go by, before there is sufficient space for them to board.

Figure 5: Morning peak arrivals at London terminal stations are becoming more overcrowded

Reliability

Passengers have seen the reliability of their services deteriorate for the past three years. As Figure 6 shows, 11 per cent of all trains failed to arrive at their destination within five minutes of the scheduled time in 2014/15. During the peak period, this figure rose to 16 per cent.
Customer service and information

Our recent scrutiny of disruptions caused by the Thameslink upgrade programme – particularly on services to and from London Bridge station – highlighted the failure of some rail operators to provide a high standard of customer service support to passengers, particularly when things go wrong. Reduced timetables have been in operation on many services, with frequent lateness and cancellations compounding the impact on passengers.

During the Thameslink disruptions, passengers complained about a severe lack of accurate information being available from operators.\(^\text{15}\) There was a mismatch between information published online and displayed at the station, little coordination between different companies, while staff on board and at stations did not have access to up-to-date information. There are more long-standing concerns with the quality of passenger information on the rail network, with a number of passengers telling the Committee they consider it to be poor.\(^\text{16}\) In the latest National Rail Passenger Survey, 79 per cent of London and South East passengers were satisfied with station information and just 69 per cent with on-board information, with both scores slightly below the national average.\(^\text{17}\)

In our survey of London rail users, we found low levels of satisfaction with the process of making a complaint or claiming compensation. Only 49 per cent of respondents considered the complaints process to be fairly/quite easy, while just 53 per cent were satisfied with how compensation claims were handled.\(^\text{18}\)
In recent months, we have highlighted serious flaws in the passenger compensation regime. Most rail operators use the ‘Delay Repay’ scheme, under which passengers can receive refunds if their journey is delayed by 30 minutes or longer. This rule disadvantages London rail users, as a large number of journeys starting or ending in London last less than 30 minutes in total. For instance, a passenger’s 25-minute journey could be regularly doubled in length due to delays without that passenger being eligible for compensation.  

We have called for a reduced threshold of 15 minutes, as well as better publicity about passengers’ eligibility for compensation, and for refunds to be paid in cash rather than rail vouchers. We were pleased to note that the Government and Rail Delivery Group announced in July that cash refunds would be available in the future, if requested by passengers.

Conclusions

The clear conclusion from this examination of recent trends in service performance is that rail services are failing Londoners. Trains have become less reliable in recent years, with one in six trains arriving at least five minutes late. Overcrowding is getting worse, with 40 per cent of peak services into central London containing more passengers than they have capacity to carry. London residents get a particularly raw deal from overcrowding, as they must attempt to board trains that are already full.

While performance declines, fares continue to rise significantly above inflation. It is no surprise that passenger satisfaction is also falling. Efforts to compensate passengers for service failures are meagre at best, and we continue to believe it should be a priority for the government and operators to reform the compensation regime to ensure it meets the needs of Londoners.

For the most part, these issues are completely out of the hands of the Mayor and TfL. TfL manages the London Overground, but other rail franchises in London are delivered by franchisees, accountable to the Government. Devolving control over other rail services to London is not necessarily the only solution available for these problems, but it is an integral part of the Mayor and TfL’s strategy for improving the rail network. In the next chapter of this report we will outline the Mayor’s proposals, and thereafter assess what impact they could have.
3. The Mayor’s devolution proposals

There are a number of ways in which responsibility for rail services can be devolved to London, with different governance models already in use in London and elsewhere. The Mayor has proposed extending TfL’s role in commissioning services, by giving the organisation control over certain rail franchises.

Models of devolution

Most modes of public transport are clearly designed to provide a local service, helping people to get around a particular city or other locality. This is true of most of TfL’s services, such as the London Underground, buses, Tramlink and Docklands Light Railway. The National Rail network differs, in that it combines local, regional, and national services, often on the same train.

The governance arrangements for the network reflect this complexity. For the most part, central government in Whitehall is primarily accountable for rail services, although responsibility for franchising has been devolved to sub-national authorities in some parts of the UK, such as Scotland and Merseyside, in differing ways. In most other countries we find similarly complex systems. Even in major world cities with high levels of autonomy, such as Tokyo, New York and Berlin, national and state governments play a significant role in managing local rail services.

Before assessing the potential of further devolution to London, it is important to consider the different ways in which the Mayor and TfL’s role in running services on the rail network could be enhanced:

- **TfL input to DfT franchises**
  This is the current position for most rail services in London. TfL is currently able to suggest additions to rail franchise specifications (known as 'increments'). These are non-binding, so operators bidding for the franchise do not have to meet TfL’s additional specifications. TfL has suggested this power has had only limited impact.\(^{21}\)

- **Joint award of franchises**
  TfL’s role in overseeing franchises could be enhanced, if TfL becomes the joint commissioning authority alongside DfT. This would entail the two bodies deciding together on service specifications and the appointment of operators. This is the model being introduced in the north of England, where Rail North (a partnership of local authorities) will jointly award the Northern and TransPennine franchises with DfT.

- **Full TfL control of franchises/concessions**
  This is the model introduced for the Silverlink franchise, where TfL was made the sole commissioning authority and established the London Overground service.
This also happens in other parts of the UK: local and devolved governments in Scotland, Wales and Merseyside oversee rail franchises serving their region or nation. TfL has used this opportunity to alter the type of contractual agreement it enters with the rail operator, using a concession arrangement rather than a traditional franchise (see box).

- **Directly operating services**
  TfL already operates the UK’s busiest rail network, the London Underground, and this approach could be extended to National Rail services. TfL would be empowered to establish a new operator that could bid for rail franchises. This would require legislative change, but there is recent precedent: the government established a publicly-owned company, Directly Operated Railways, to run the InterCity East Coast rail franchise from 2009-2015. This model also exists in Northern Ireland, where Translink – an agency of the Northern Ireland Executive – owns all infrastructure and operates services.

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**The concession model**

The Mayor and TfL have made it clear that rail services they control would, like the existing London Overground service, be run as a ‘concession’ rather than the traditional franchise model used by the Department for Transport. There is no strict definitional distinction between these two types of contractual arrangement, although in practice there are some key differences.

Franchises let by DfT place a higher level of risk on the service operator. Precise arrangements differ between franchises, but almost all operators of DfT rail franchises face a financial risk based on revenues received. If less revenue is received, the operator will perform worse financially. In large part this risk is driven by economic factors outside the operators’ control, such as a fall in employment.

Under the concession model, TfL would appoint an operator with a ‘gross cost’ contract, providing a fee to the operator for running the service, and including incentives for strong performance. Ticket revenue is retained by TfL, meaning TfL carries the bulk of the risk if revenue is lower than expected. Due to its size and revenue base, TfL is better able to absorb financial risks while continuing to invest in the service. London’s growing population reduces the risk of a fall in revenue.

London TravelWatch has ascribed the stronger performance of the London Overground compared to other London services to TfL’s use of the concession model:

*This difference in outcome for passengers is attributable to the different incentives and contracting arrangements that the devolved London Overground concession uses, rather the conventional franchise arrangements. It does this by ensuring that the concessionaire concentrates, and is incentivised to focus, on the delivery and development of services, with the setting of issues such as fares policy and forward policy being dealt with by TfL centrally, and the commercial risks associated with ticket and other revenue are also borne by TfL rather than the operator.*

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The Mayor’s proposal: Extending the London Overground

The Mayor’s preferred approach to devolution is for TfL to replace DfT as the commissioner of rail franchises for London’s suburban services. As discussed in the introduction to this report, responsibility for the Silverlink franchise was devolved in 2007, leading to the establishment of the London Overground service. TfL receives funding from DfT for this service, it designs the service specification, appoints an operator to run the service and manages their performance.

The Mayor and TfL’s priority since 2007 has been to extend the London Overground network. This has happened in part through the addition of new track infrastructure, and more significantly through the devolution of suburban services on the Greater Anglia franchise in 2015. This meant services between Liverpool Street and Enfield Town and Cheshunt, as well as the Romford to Upminster line, were added to London Overground.

The Mayor has proposed the devolution of London suburban routes on the South Eastern franchise, which serves south east London and Kent, with London Bridge and Victoria its main terminus stations. This is currently operated by Southeastern, part of the Govia group which also operates the Thameslink, Southern and Great Northern and London Midland franchises. It is one of the largest franchises in the London and South East region, representing 14 per cent of scheduled train kilometres in 2014/15. The Mayor and TfL made this proposal to the government in 2012-13, at the same time as devolution of the Greater Anglia franchise was agreed. However, the government rejected the proposal and decided to extend the franchise agreement with the existing operator. There were a number of factors in this decision, including the opposition of Kent County Council and complications arising from the Thameslink upgrade programme affecting services on the franchise.

During this investigation, the Mayor’s Office and TfL have restated their ambition to secure the devolution of further rail franchises. Their focus remains South London, where the London Underground has relatively little coverage and Londoners are most reliant on rail services. As shown in the map in Figure 7, TfL’s objective is the devolution of parts of the South Eastern, the South Western and the Thameslink, Southern and Great Northern franchises.

Devolution of the South Eastern franchise remains the immediate priority for the Mayor and TfL. The existing franchise agreement lasts until June 2018, giving TfL and partners almost three years to prepare for the transfer, if agreed by the government.

During this investigation, it was announced that the South Western franchise, another of TfL’s priorities, would be coming to an end in 2017, two years earlier than previously anticipated. This timescale appears to be too short to agree and implement any plan for devolution of the franchise. However, the possibility of devolution in the near future should be built into any new franchise agreement.
Figure 7: The Mayor and TfL’s proposed rail routes for devolution

KEY
- London Overground
- Southwestern inners
- South Central inners
- Southeastern inners
- Crossrail
- Moorgate - Hertford
- Crossrail 2
- Other services

- Great Northern Moorgate services: Re-franchise date Sept 2021
- Crossrail services: Transfer in phases to TfL 2015-19
- South Eastern: Re-franchise date June 2018
- South Western: Re-franchise date June 2017

Source: TfL, July 2015
As with the Greater Anglia franchise, the Mayor’s specific proposal for the South Eastern franchise is for TfL to take over suburban services within London and the city’s immediate surroundings, rather than the entire franchise. This would mean routes as far as Dartford and Sevenoaks in Kent coming under the control of TfL, with longer-distance services and local Kent services being part of a separate franchise agreement. The routes devolved to TfL would become part of the London Overground network.

Support for devolution

It is vital that the Mayor and TfL build a coalition of support for rail devolution in London. One of the reasons behind the failure of the bid to take control of the South Eastern franchise in 2013 was TfL’s inability to secure wider support from key stakeholders. During this investigation, we have heard a wide range of views in response to the Mayor’s proposals, and conducted a survey of rail passengers within London, including questions on their views on rail devolution. We have found strong levels of support for devolution, particularly from key stakeholders that had previously opposed the idea.

Passenger survey

Most rail passengers in London are not aware of the proposals made by the Mayor and TfL for devolving suburban rail services. In our survey, only 30 per cent of passengers said they were aware of the proposals, with 64 per cent saying they were unaware.

The Mayor and TfL have taken a relatively low-key approach to promoting their devolution proposals, in contrast to other schemes aimed at influencing public and political debate about rail services. In particular, the Mayor and TfL have taken a number of public initiatives to promote the case for funding the Crossrail 2 line (see box). A similar approach for rail devolution could be developed, as a way of helping the Mayor and TfL enhance public and stakeholder support for their proposals.

When we put the devolution proposition to survey respondents, we found that a majority were in favour: 54 per cent of passengers said they would prefer TfL to run their rail service, with 21 per cent preferring the existing private operator (those already

### Promoting Crossrail 2

The Mayor and TfL have undertaken a range of public activities in order to develop the case for Crossrail 2:

- TfL has appointed a Managing Director for Crossrail 2, and established a Crossrail 2 Growth Commission.
- Londoners and other stakeholders have been consulted on proposals for potential routes for the line.
- Independent research by PwC into the funding options has been commissioned and published.
- The GLA coordinated a letter from over 50 business leaders backing the case for Crossrail 2.
- A website (crossrail2.co.uk) has been established by TfL to publicise the scheme and its benefits.
primarily using Tfl-run services were excluded from these questions). Excluding those saying ‘Don’t know’, 68 per cent of respondents were in favour of devolution to Tfl, with 26 per cent preferring the existing operator. Support for Tfl was particularly high among users of the South London services that the Mayor has prioritised for devolution, as shown in Figure 8 below.

**Figure 8: London passenger views on who should run their rail service**

![Bar chart showing passenger views on who should run their rail service](image)

*Source: London Assembly. Excludes ‘Don’t know’ responses*

**Stakeholder responses**

A wide range of organisations engaging with the Committee during our investigation expressed their support for devolution, although in most cases with particular conditions or priorities attached to this support. Supportive organisations included:

- Several London boroughs and representative organisations. In some instances this support was accompanied by calls for greater borough involvement in overseeing services.
- London TravelWatch and other local groups representing passengers both within and outside London.
- Several county and district councils outside London, provided certain conditions are met regarding governance and service design.
- Rail industry trade unions, although unions have expressed a preference for TfL to operate services directly.
- The London Chamber of Commerce, which shared findings of a member survey indicating high levels of dissatisfaction with rail services among London businesses.
- Transport for All, representing disabled transport users.
Other organisations we consulted maintained a more neutral stance on devolution, in some cases providing advice on practical issues that needed to be considered, or arguing that service improvements could also be achieved without devolving control to TfL. Organisations in this broad category include Transport Focus, Network Rail, rail operators and some passenger groups.

A number of organisations expressed their opposition to the Mayor’s proposals for devolution. These organisations, which are all based outside London, argued mainly that devolution to TfL would prioritise the needs of London passengers over those outside London. These organisations include some county councils, a local enterprise partnership and a passenger group.

Conclusions

Of the different approaches that may be taken to devolving control of passenger rail services, the most appealing is the proposal to make TfL the commissioning authority for suburban rail franchises. This is the approach favoured by the Mayor and TfL, and central government has already shown its willingness to implement this model in devolving the Silverlink and Greater Anglia franchises.

The strong support for devolution among many contributors to this investigation is very encouraging. Stakeholders such as boroughs, businesses and passenger groups support the Mayor’s proposals. However, it is clear the Mayor and TfL still have work to do. There are important discussions to be had with key partner organisations that TfL will need to work with, such as Network Rail, private operators and organisations outside London. Most of all, the case for devolution needs to be definitely proven to government; in the next chapter we will set out the potential benefits of this reform.

Our investigation has revealed important findings about the extent and nature of support for devolution among London rail users. A majority of Londoners who currently travel on non-TfL services would support TfL taking control of the service they use. Awareness of the Mayor’s proposals to do so, however, appears to be relatively low. The Mayor may want to consider how he can better engage passengers in order to harness their clear desire for improvements.
4. Improving services through devolution

Devolution may help to improve the quality of London’s rail services in a number of ways. This chapter sets out the potential benefits of devolution, including more reliable services, greater capacity, accessibility and accountability. These benefits are based on the recent success of the London Overground network, which has demonstrated TfL’s strong will to improve services and its ability to manage operator performance. By and large, passengers on franchises overseen by the Department for Transport have not seen this happen on their services. TfL has also shown greater willingness to invest in services, for instance in extra train carriages and additional station staff, than DfT and the operators it has appointed. Running larger suburban networks would represent new challenges for TfL – for instance its ability to add peak time capacity would be constrained – but passengers can still expect to benefit from higher service standards.

Capacity and frequency

The London Overground is unique among London and South East rail services in that, overall, it is the only operator whose services are not overcrowded. Furthermore, the Overground is the only operator to have reduced crowding in the past five years. While the average passengers in excess of capacity (PiXC) score for central London arrivals in the three-hour morning peak has nearly doubled from 2.9 per cent to 5.4 per cent, on the London Overground it has fallen from 2.7 per cent to zero. TfL has managed to achieve this while demand for services has increased by 136 per cent; the Overground carried 140 million passengers in 2014/15.

TfL told the Committee that it will seek to increase the frequency of off-peak services on suburban rail routes it takes over, and that spare track capacity exists to enable this.28 At present, off-peak services in many parts of London are very infrequent; Figure 9 overleaf shows rail lines in London where there are four off-peak trains per hour or fewer. However, TfL has indicated is unlikely to be in a position to increase the frequency of peak services on suburban routes in the immediate future because of network capacity constraints, which means some commuters may not see as big an improvement in overcrowding as has seen on the rest of the Overground network to date.

Reliability

The London Overground has consistently proven itself to be one of the most reliable rail services in London and the South East. Before the Silverlink franchise was devolved to TfL, 91 per cent of trains arrived within five minutes of their scheduled time. Since the London Overground was established, this figure has risen steadily – reaching 96 per cent in 2014/15. Reliability has been falling across rail services as a whole in this period (see Chapter 2).29 As Peter Austin of the operator LOROL
Figure 9: Rail routes with low-frequency off-peak services in London.
explained to the London Assembly Budget & Performance Committee recently, a proactive performance management process and contractual arrangements incentivising high reliability standards has helped TfL to achieve these improvements.\(^{31}\)

If TfL was able to replicate this success on other franchises, passengers would benefit from more reliable services. Services run by the operator Southeastern, parts of whose franchise the Mayor hopes to devolve, had a PPM score of 89 per cent in 2014/15. In his previous proposals for devolution of this franchise, the Mayor set out an objective to raise the PPM score to 95 per cent.\(^{32}\)

**Fares**

Passengers would benefit from TfL integrating any devolved services into its existing fare structure for rail services. Although not designed as a ‘cut’ in fares, this would simplify the fares regime and would likely lead to reduced fares for many passengers in the immediate future. After TfL took over London suburban routes of the Greater Anglia franchise in May 2015, it reduced fares for 80 per cent of journeys made on the service, with the remainder unchanged.\(^{33}\) TfL also provides free travel for children under 11 years old on the London Overground and other parts of its network, which is not the case on other rail services.\(^{34}\)

There is, of course, a cost to the public purse of reducing fares; in the next chapter we consider the affordability of TfL’s plans for rail services.

TfL has also argued that it would be able to significantly reduce fare evasion on rail services, through increased staffing and gating of stations. In 2013 the Association of Train Operating Companies estimated that around £240 million is lost annually through rail fare evasion, on a national basis.\(^{35}\) TfL figures show that while 13 per cent of passengers travelled on the Silverlink service without a ticket prior to its devolution in 2006/07, only two per cent did so on the London Overground in 2014/15.\(^{36}\)

**Economic development**

One of the potential benefits of TfL taking control of rail services is that it would help ensure decisions about the rail network are coordinated with wider strategies for developing London’s economy. As part of the GLA Group, TfL has a duty to support the implementation of the Mayor’s London Plan and Economic Development Strategy. This may involve, for example, enhancing rail services in areas that support new housing growth, as is currently underway with the planned extension of the London Overground to Barking Riverside as part of the regeneration of that area.

The direct institutional connections among the GLA Group – for instance, the Deputy Mayor for Transport sits on both the TfL Board and the London Enterprise Panel – mean there is potential for a much more integrated approach at a regional level between the rail network and economic development than is provided at the national level by the Department for Transport.
The London Assembly’s Regeneration Committee is currently investigating the subject of transport-led regeneration in London, in particular focusing on TfL’s role in supporting new development through the provision of local transport infrastructure and services. Its report, to be published in the autumn, will provide further detail on steps TfL can take to support London’s economic development.

**Accessibility**

The incorporation of rail routes into the London Overground network has the potential to improve the accessibility of services for passengers with mobility constraints. TfL has pledged, for instance, that it would introduce turn-up-and-go assistance for wheelchair users, which is not currently available on much of the rail network. On Southeastern services, passengers with special needs are asked to complete a booking form at least 24 hours in advance of their journey if they require assistance from staff. Transport for All, which represents disabled transport users, said that it was strongly in favour of further devolution, citing London Overground’s station staffing, tactile paving and integrated customer information as key strengths of the service.

As discussed above, TfL’s relatively high investment in staffing and station facilities has allowed it to make accessibility improvements and improve customer service. One of the changes that TfL made when it took over the Greater Anglia services was to introduce staff at all stations on the route, making it much easier for passengers who need assistance. The overall number of staff working on these services was almost immediately doubled: from 84 under Abellio to 170 under TfL, with the staff budget rising from £3 million to £6 million. We welcome TfL’s commitment to accessibility on the Overground, and believe this commitment is a major benefit of devolution.

**Accountability**

Another potential advantage of devolving London’s rail services would be an increase in the accountability of service providers to London rail users. There is currently no simple way for London’s rail users to hold someone to account for poor performance. In a devolved model, Londoners would directly elect the person ultimately responsible for the service, the Mayor of London. The London Assembly would scrutinise the performance of the service on behalf of Londoners. The London Borough of Ealing summarised the potential impact of this change in its submission:

*Devolution would increase the level of democratic accountability compared to the current system, where roles and responsibilities are diffuse and accountability is unclear. The line of democratic accountability that exists currently through Ministers to Parliament means that responsibility for train services is in actual fact remote from users. The current train operating companies are commercial enterprises and have no accountability to local people, except through the national regulatory regime. Therefore giving responsibility for London’s inner suburban rail services to the local, directly-elected Mayor would increase local democratic control.*
**Investment**

Substantial TfL investment in the London Overground has allowed it to increase capacity and deliver other improvements. Under TfL’s concession model for managing the service (see box in Chapter 3), TfL takes primary responsibility for investing in service improvements. TfL has a London Overground Capacity Improvement Programme, which is investing £175 million between 2013 and 2015 to introduce five-car trains across the service, involving the purchase of new carriages, upgrading depots, lengthening platforms and upgrading signalling.\(^{42}\)

Significant investment is also being delivered, for instance, in station improvements on the suburban routes devolved to TfL from the Greater Anglia franchise. The enhancements TfL will fund on this service in the current three-year period total £26 million, as set out in Table 2.\(^{43}\)

| Table 2: TfL investment in Greater Anglia stations added to London Overground |
|-------------------------------------------------|-----|-----|-----|
| Station enhancements                               | 2014/15 | 2015/16 | 2016/17 |
| Station gating                                    | £1 million | £1 million |     |
| Ticket machines                                   |         | £2 million |     |
| Cosmetics/ambience\(^{44}\)                       | £1 million | £12 million | £8 million |
| Deep clean                                        |         | £1 million |     |
| **Total**                                         | **£2 million** | **£16 million** | **£8 million** |

TfL has demonstrated a greater willingness to invest in station improvements than private franchise operators. When the franchise term of the operator Southeastern was extended from October 2014 to June 2018, the company agreed with DfT that it would invest £4.8 million on station improvements over four and a half years, across its 166 stations.\(^{45}\) As shown in Table 2, TfL is spending approximately five times this amount on station improvements at just 24 stations, less than one-sixth the number of stations as there are on Southeastern’s network.

**Conclusions**

The case for devolving control of suburban rail services to London is compelling. TfL’s record in managing London Overground network provides strong evidence of what can be achieved with greater local control of rail services and long-term investment. There are limits to what TfL can achieve in the addition of new capacity on suburban lines, particularly increasing peak time service frequencies on suburban services, but there is simply no alternative proposition for how standards on London’s rail services can be improved to such a large extent. However, realising all of the benefits outlined above
will be difficult and take a number of years. There remain some significant challenges that TfL would need to overcome to make devolution a success, and these are discussed in the next chapter.
5. Addressing the risks and challenges of devolution

This chapter considers three key challenges that TfL needs to address, in order to build its case for rail devolution and deliver improved rail services. These include political challenges arising from the need to convince the Government and better engage London’s neighbours, practical challenges of separating rail franchises in two, and financial challenges caused by the need to invest significant sums upgrading rail services.

**Political**

*Central government*

The key political challenge for the Mayor is to persuade the Government of the case for devolving further rail services. The Government previously rejected a proposal for TfL to take over suburban routes on the South Eastern franchise in 2012-13, and is effectively now being asked to revisit that decision.

We understand that there is no principled objection from the Department for Transport to devolving rail services: this has already happened in London to some extent with the Silverlink and Greater Anglia franchises. Partial devolution is also underway in the North of England, where Rail North has been given commissioning powers over two regional franchises. The financial implications of devolution mean that Treasury support is also vital, and we were encouraged to see the Chancellor of the Exchequer signal his willingness to consider further proposals for the South Eastern franchise in his 2014 Autumn Statement.46

Rail services are likely to be considered by the Government alongside other area proposed for devolution. The London Assembly’s Devolution Working Group has recently published a report on this topic, covering rail as well as public health, employment and skills, and fiscal devolution.47

*Local authorities*

When the Mayor unsuccessfully proposed devolution of the South Eastern franchise in 2012-13, one of the key factors in the Government’s eventual rejection of the proposal was opposition from Kent County Council. This highlights the need for the Mayor and TfL to engage with neighbouring authorities and win over all those affected by devolution.

There are two ways in which the Mayor’s proposals may affect passengers outside London. Firstly, some of the rail routes that the Mayor has proposed for devolution extend beyond the boundary of Greater London. On the South Eastern franchise, TfL envisages running services into Kent as far as Sevenoaks and Dartford, which it considers necessary for operational reasons that it is able to manage services that start or end outside London. TfL already manages services outside London, including branches of the
London Overground network that run into Hertfordshire, as well as some tube lines and bus routes. Extending TfL's remit beyond London, therefore, is not necessarily a barrier to devolution. It does mean however, that some residents outside London will not be able to hold their service providers to account directly.

A second potential impact of rail devolution on people outside London arises from the possible change to service patterns on devolved routes. Many people living outside London, particularly in neighbouring counties, travel into the city by rail. Concerns have been expressed by organisations outside London that changes such as an increase in train frequencies within London might negatively affect these longer-distance services.

During this investigation, we have engaged with a wide range of organisations outside London, including local authorities, passenger representatives and business groups, including hearing from representatives of Kent and Surrey councils at our meeting in June. We have been encouraged by a shift in the positions of opponents to devolution, as well as continued support from others. Devolution is now seen by key stakeholders in Kent as a way of improving on the service provided by the existing franchisee. For instance, the Sevenoaks Rail Travellers Association, whom Members met on a visit to Sevenoaks, told the Committee:

In 2013 the Sevenoaks Rail Travellers Association supported the devolution of South Eastern metro services. We saw the benefits of payment by Oyster card, zonal fares which are potentially lower, improved service reliability, manned stations, a more efficient and quality focused franchising model, lower fare evasion, and the greater scope for longer term capacity enhancement as well worth having, and sustainable... We support it now for the same reasons as we did then.

Kent County Council now broadly supports rail devolution in principle. The Council told us it would be in favour of TfL taking over parts of the South Eastern franchise provided certain safeguards are in place to ensure Kent passengers are not disadvantaged (see box). The Mayor’s Office and TfL told the Committee that these conditions would be acceptable. The Council told us that its previous opposition to devolution had been partly motivated by the Mayor’s proposal for a new airport in Kent. After this option was rejected by the government’s Airports Commission, the council’s stance changed.

Kent County Council ‘red lines’ for devolution
- Fares for rail passengers in Kent must not be higher as a result of devolution.
- Existing rail paths for Kent’s mainline services must be protected.
- Extra capacity on peak metro services must only be provided through train lengthening.

TfL works closely with local authority counterparts in the development of rail services, although these partnership arrangements are informal. TfL has two Board Members with a duty to represent the interests of rail users outside of London, but no formal structures for involving organisations such as neighbouring county councils in decision-making about
London Overground services. Hertfordshire County Council stated in its submission that it would like to see its relationship with TfL formalised in relation to devolved rail services:

We would support the devolution of additional suburban rail services if... There would be a process to give Hertfordshire residents a say in the governance of any devolved services to balance the fact that these matters would fall under the jurisdiction of a Mayor democratically accountable to the London electorate.

Similar proposals have been made by London Councils, on behalf of local authorities within London. The organisation argued that boroughs should be fully involved in decisions about appointing rail operators serving their areas:

Research that London Councils carried out in 2014 suggested that boroughs’ experience is that there is little commitment from the DfT to involve them in rail franchising decision-making. London Councils believes that, irrespective of whether DfT or TfL is letting the franchise, boroughs should be given the opportunity to be actively engaged throughout this process, including at the final decision making stage.

As TfL looks to expand its involvement in running rail services, it needs to develop a new mechanism for involving neighbouring councils and London boroughs. This will help ensure the interests of a diverse group of passengers are reflected in service design and TfL can be held to account.

Practical

Devolution of rail services will entail some practical challenges for TfL and other operators. If an existing franchise is effectively divided in two between suburban and long-distance routes, as proposed by the Mayor, this will require some complex disentangling of the two services, and thereafter close coordination of shared infrastructure.

London TravelWatch has considered the practicalities of separating out suburban routes from larger franchises, and shared its views:

TfL has been fortunate that the current devolved railway services are largely self-contained in terms of rolling stock and train staff. However, those of other train operators such as Southeastern and South West Trains have much higher levels of integration with services that run well beyond the London area. For example a Southern service from Victoria to London Bridge, may on arrival at London Bridge form a service to Brighton or Horsham. Devolution will mean the separation of rosters of stock and drivers. In the case of the recent takeover of the West Anglia routes, this resulted in the need to lease a further three train sets and recruitment of additional drivers.
Some of the issues that would need to be addressed by TfL include the division of rolling stock and staff, and the future use of depots. As TravelWatch has highlighted, this could cause practical problems that require additional investment to solve:

Many train operators for operational and staffing reasons are dependent on railway sidings, and use depots some distance from the London area to serve their London ‘metro’ operations, for example Southeastern has a large depot and sidings at Gillingham in Kent; Thameslink similarly at Bedford, Three Bridges and Brighton; Southern at Brighton; South West Trains at Fratton near Portsmouth. Often trains and drivers have rosters which include these facilities. There could be costs of relocating staff and stock to locations closer to or within London, and of acquiring additional stock, and recruiting extra staff to meet the constraints that a new devolved settlement and consequent operational separation would create.

An option for TfL to create new depot facilities within or closer to London may prove difficult because of the lack of suitable land that could be developed. In any case, the establishment of new facilities would risk increasing the costs of managing the rail network. As we heard from Paul Harwood of Network Rail and Michael Roberts of the Rail Delivery Group at our meeting in June, one of the advantages of a larger rail franchise is the opportunity for economies of scale, which could be at risk if infrastructure is separated out between suburban and longer-distance services.51

Financial

The Mayor and TfL have pledged to invest significantly in devolved rail services, which is considered necessary if service standards are to be improved. Investment needs fall into two, broad categories:

- Capital investment in one-off upgrades to facilities and infrastructure. These will include the purchase of new rolling stock and enhancements to stations (new ticket gates, tactile paving, and so on).

- Ongoing funding of the enhanced service offer. With a commitment to staff all stations from first train to last, funding to cover additional staff costs is required. Any provision of additional train services will increase costs further.

The recent extension of the London Overground following the devolution of suburban services from the Greater Anglia franchise in May 2015 demonstrates the challenge facing TfL.52 Prior to devolution, the previous operator, Abellio, ran these routes profitably. However, figures provided by TfL indicate that the service will now be run at a loss for the foreseeable future: between 2014/15 and 2020/21, TfL’s net expenditure in just these routes will total £78 million. This is after the ongoing grant from government to TfL has been taken into account.

Devolution may create unforeseen additional costs for TfL, some of which became apparent when Greater Anglia services were devolved. On the new London Overground
lines, train carriages inherited by TfL had to be taken out of service for urgent repair, which led to a temporary reduction in capacity.\textsuperscript{53} On the new TfL Rail service between Liverpool Street and Shenfield, stations inherited by TfL were also found to be in need of significant improvements, an unanticipated cost which TfL had to meet.\textsuperscript{54}

The South London Partnership’s submission highlighted the scale of the financial challenge facing TfL, and the risks of not having sufficient resource to meet it.\textsuperscript{55}

\begin{quote}
We also recognise that to date the Overground has perhaps been successful as it has operated on a relatively small scale, on relatively self-contained routes and that any significant increase in its responsibilities would need to be matched with both operator and TfL rail management resource. An unintended consequence of our support for rail devolution to the Mayor could be the possibility that if insufficient funding follows the transfer of powers we could see a lower level of investment resulting in “Overground Lite” – a branded train service which offers fewer of the quality improvements provided on the earlier conversions.
\end{quote}

There are opportunities for TfL to grow the revenue of the devolved services it runs. With demand rising, ticket revenue is likely to increase. TfL has forecast a 34 per cent increase in ridership on the existing London Overground network between 2015/16 and 2020/21.\textsuperscript{56} However, the rail services TfL wants to take over are already overcrowded at peak times, and TfL has admitted that scheduling additional peak services will be extremely difficult. This may therefore prove a constraint on revenue growth. Tackling fare evasion may also increase revenue, although this requires upfront investment in gating and extra staff, and may have only a marginal effect overall.

TfL has not yet provided detailed financial projections for running South Eastern suburban services. In a letter to the Committee during this investigation, Commissioner of Transport for London Mike Brown said that plans were still under development:

\begin{quote}
As part of the process to develop this year’s TfL business plan we are working up our estimate of the investment needed on the inner South Eastern routes if the Mayor were to take them over. Based on our experience with the newly transferred West Anglia routes to Enfield, Cheshunt and Chingford. This will give us greater insight into the one-off improvements to stations, CCTV, help points, and customer information more generally. There would also be ongoing operational costs for all day staffing, reliability improvements and train leasing (some extra units, and vehicle refurbishment).\textsuperscript{57}
\end{quote}

TfL will also need to consider who would meet the costs of the Freedom Pass scheme, which is run by London Councils. This pass entitles older people to travel for free on London’s public transport network, including London Overground services. London boroughs cover the cost of the Freedom Pass, and have expressed concern that the extension of the London Overground network outside of London will increase costs to boroughs. Including the addition of Crossrail to TfL’s services, London Councils estimates the additional costs to boroughs could total £20 million per year by March 2020.\textsuperscript{58}
Councils has suggested that TfL limit eligibility for free travel to within Greater London, or agree not to seek reimbursement from boroughs for travel outside Greater London.

Conclusions

The Mayor and TfL must overcome a range of complex challenges if they are to convince the government of the benefits of further rail devolution, and thereafter deliver improved suburban rail services. We do not believe these are insurmountable, but action is required now to put key measures in place.

During our investigation it is clear that a greater degree of consensus about devolution has emerged between TfL and key stakeholders outside London, such as Kent County Council. However, some other stakeholders remain sceptical of the Mayor’s proposals, as discussed in Chapter 3. Ahead of formal proposals to government there is a need for the Mayor and TfL to develop more robust plans for how the interests of non-London passengers will be reflected in the governance of devolved services, both to help build support and deal with any issues requiring cross-boundary coordination.

TfL also needs to be clear how it will deal with practical issues arising from the separation of suburban and longer-distance services on the South Eastern franchise, for instance in relation to depots, rolling stock and staff. Early discussions with key partners, including the existing operator Southeastern, should be aimed at minimising disruptions and identifying opportunities for ongoing coordination.

Finally, our most serious concerns are about the need for TfL to invest in upgrading the service offer to rail passengers on devolved services. London Overground’s success to date is in large part down to TfL’s investment in the service. The Mayor and TfL appear prepared to invest further in any newly devolved franchises, which passengers will welcome, but we don’t yet know enough about TfL’s business plan. Investment needs will be significant, and may only be partially covered by an increase in ticket revenue. Taking over a substantial new service entails a multitude of financial risks, which TfL will need to address. To convince government that devolution makes financial sense, more detail is needed in the Mayor and TfL’s plans than we have seen so far. This includes plans for dealing with a possible rise in Freedom Pass costs.
6. Looking ahead: devolving rail infrastructure

Ideas for changing the way rail infrastructure is managed or governed have not featured prominently in debates over rail devolution in London, as the Mayor’s proposals focus on passenger franchises. In this chapter we discuss some of the opportunities and challenges for devolving London’s rail infrastructure, as a potential future stage of reform.

London’s rail infrastructure

Network Rail is the body primarily responsible for infrastructure on the rail network. It owns and manages most of the track that services run on, and equipment such as signalling systems. It also owns train stations, although the vast majority of stations are managed by the train operating companies as part of their passenger franchises. Network Rail manages major terminus stations directly; in London these are Cannon Street, Charing Cross, Euston, King’s Cross, Liverpool Street, London Bridge, Paddington, St Pancras, Victoria and Waterloo.

There is consensus among all stakeholders that London’s rail infrastructure requires significant upgrades, in particular to deliver more capacity and reliability. As Paul Harwood, Strategy and Planning Director for Network Rail, told us:

*We are predicting phenomenal growth in the future for the next 30 years and there is no doubt that the network is reaching and is probably beyond the point of its capacity across much of London and the South East now. It is the legacy that we have discussed before about, effectively, still a Victorian network at least in shape and size even if some of the infrastructure has changed. It provides a massive number of constraints. We are tackling a lot of the relatively low-hanging fruit, projects and interventions - lengthening trains, running more trains up to the maximum capacity – but now we are seeing that the stations and the track capacity itself is reaching its limit.*

The Deputy Mayor for Transport, Isabel Dedring, also made it clear that improving infrastructure was a pre-requisite for delivering metro-style suburban rail services, even if passenger services are devolved:

*One of the challenges with this whole debate around the franchise, control, devolution or whatever you want to call it is that in many areas you are quite limited in what you can deliver without improving the underlying assets. You are not going to be delivering, tube-style, 12 trains an hour from two trains an hour without looking at what the actual network looks like. In many cases, you could deliver a turn-up-and-go service. What we are trying to describe in this document we are working on is how you could deliver a turn-up-and-go service across south London, but you cannot do that without significant changes to the assets.*
There are a number of major upgrade projects underway in London, most prominently the Thameslink and Crossrail schemes. Thameslink is a north-south route from Bedford to Brighton, which is being upgraded with new connections and higher capacity; Network Rail is managing this scheme. Crossrail is a new east-west rail line connecting Reading to Shenfield, with a new, tunneled line through central London; this project is managed by Crossrail Ltd on behalf of TfL and the Department for Transport, the co-sponsors of the project. In addition to these are a range of smaller, local schemes, such as the electrification of the Barking-Gospel Oak line.

**Devolving infrastructure management**

The Mayor has not made firm proposals for the devolution of infrastructure – either its ownership or management – from Network Rail to TfL. During our investigation, we have put forward some ideas in order to understand the potential challenges and opportunities in this area.

One possibility is for TfL to become more directly involved in delivering rail upgrades. In 2014/15 there were major, unplanned disruptions caused by Network Rail’s Thameslink upgrade programme, particularly on services in and out of London Bridge. Stephen Locke of London TravelWatch told us that TfL could help address the shortcomings of this type of project by bringing a London-wide focus:

> The level of competence and the resource that is available [at TfL] is colossal. However that is done, whether in association with Network Rail or with local authorities or with train operating companies, it seems to me absolutely crucial to leverage that ability and to allow, through TfL’s role, an integrated approach to the system as a whole. That is really what was missing at London Bridge at least over Christmas.

A more substantial form of devolution to TfL may involve transferring permanent responsibility for some or all of London’s rail infrastructure. The complexity of such a change would be huge and have national implications, as discussed by Michael Roberts of the Rail Delivery Group, in relation to the idea of asking TfL to take over management of London’s major terminus rail stations:

> Of course there are other options allowing TfL to have greater control - if not entire control - over the major stations, but the consequence of that is you create another interface with a national railway that does not exist at the moment and it is an interface that would need to be managed.... 70 per cent of all railway journeys in the country begin and end in London and by a transfer of responsibility you have a major impact in terms of the creation of an interface with the rest of the country, not just with the south east hinterland.
Planning upgrades

The Mayor and TfL have set out an ambition to enhance the role of TfL in the planning process for rail infrastructure upgrades. They argued that one of the key problems holding back the development of London’s rail infrastructure is a disjointed process for identifying and planning necessary upgrades:

TfL believes there are ways to integrate planning and funding of capital investment of the TfL and National Rail networks within Greater London even more closely. At the moment improvements to the National Rail network are planned through Network Rail’s Route Studies and funded in five-year cycles (Control Periods) by the DfT. Meanwhile TfL’s investment programme (which includes Tube modernisation/extensions and discretionary improvements to London Overground) is agreed during government spending review. These separate processes mean there is no single integrated process for planning and prioritising investment to address London’s complex transport needs.

London does not have a single, coordinated plan for rail upgrades. Network Rail’s planning process is based on travel areas, generally comprising a sub-region of London and a county outside London. For instance, Network Rail has recently published the Route Study for Sussex, mainly covering commuter routes from the south coast, through Surrey and into Victoria and London Bridge stations. This sets out a vision for upgrading the network to 2043, with initial spending priorities for the 2019-2024 period. The study proposes welcome capacity upgrades at key interchange points for London commuters, particularly East Croydon, but arguably places greater priority on improving longer-distance fast services than delivering high-frequency suburban services in south London.

The Government has recently made changes to the management of Network Rail and announced a series of reviews of the organisation. Sir Peter Hendy, London’s former Commissioner of Transport, was appointed the new Chair of the organisation in June. A number of planned upgrade projects, mainly in the north of England, were put on hold amid concerns about their funding. The reviews now being undertaken by Sir Peter and others are considering plans for existing projects and the funding of the organisation. We welcome Sir Peter’s appointment and hope he will bring his strong understanding of London’s transport needs to the role and ensure positive outcomes from the ongoing reviews.

Conclusions

Upgrading London’s rail infrastructure is vital to any long-term effort to improve services for passengers and meet rising demand, and there appears to be scope for greater involvement of TfL in delivering this. We do not propose the wholesale devolution of infrastructure ownership or management to TfL, as an integrated national rail network requires a strong coordinating body. Effective management of
infrastructure by Network Rail will underpin the potential devolution of service delivery to London and other regions.

However, enhancing TfL’s role in the planning and oversight of major projects is a logical step to take. This would bring greater integration and expertise into the process, in ways that would benefit passengers. The ongoing reviews of Network Rail’s projects and funding provide an excellent opportunity for the Mayor and TfL to make this case.
7. Conclusion: Action plan for the Mayor and TfL

Based on the findings of this investigation, we will be urging the Department for Transport to devolve control over London’s suburban rail services to the Mayor and Transport for London, working in partnership with other local authorities, as existing franchise agreements conclude.

This should begin with the suburban routes of the South Eastern franchise in 2018, followed by the Thameslink, Southern and Great Northern franchise in 2021 and the South Western franchise at a date to be confirmed.

The long-term ambition for the Mayor and TfL should be to use these powers to establish a genuine metro-style rail service in South London and beyond, one that is comparable in its capacity and reliability to the London Underground. A number of steps can be taken by the Mayor and TfL to help ensure this happens.

Recommendations

We recommend the following steps are taken by the Mayor and Transport for London ahead of and during upcoming discussions with the government about devolving control of passenger franchises and the future of rail infrastructure planning.

We ask that the Mayor and TfL report back to the Committee by the end of 2015 with an update on progress.

South Eastern franchise

1. Develop a detailed business case for the devolution of the South Eastern rail franchise. This should state the performance objectives for a devolved service and set out how these will be met. The business case should include timed plans for investment in rolling stock and stations, setting out the sources of money for the investment, potential for efficiencies and realistic plans for increasing passenger usage and fare revenue.

2. Establish a steering group for the oversight of South Eastern services earmarked for devolution to TfL. This can be established in shadow form in the near future, in order to help inform devolution proposals and form a coalition for lobbying the Government. Thereafter, the steering group should oversee service planning and delivery, consult with passenger groups and report to the TfL Board. Membership should include representatives of TfL, the GLA, Kent County Council and those London boroughs and district councils that would be served by the devolved franchise.

3. Hold discussions with Network Rail, Southeastern and other operators where necessary about practical steps that would be taken to ensure the smooth
separation of suburban and long-distance services on the South Eastern franchise. The outline of plans separating depots, rolling stock and staff, and any coordinating measures, should be presented to the government by the Mayor and TfL as part of their devolution proposals.

4. Seek agreement with London Councils about financial implications of devolution for the Freedom Pass regime. Any additional costs arising from extending TfL services should be projected, and built into the financial planning process for devolution. If London boroughs are likely to face an additional financial burden, TfL should make clear how boroughs will be compensated or what changes to the scheme will be introduced.

South Western franchise

5. Seek agreement with the government that the new franchise agreement for the South Western franchise will provide for the possibility of removing London suburban routes from the franchise and devolving these to the Mayor and TfL. TfL should also seek to engage shortlisted bidders for this franchise to discuss the practical implications of this proposal.

Passenger engagement

6. Develop a plan to significantly enhance the engagement of rail passengers in discussions about devolution, with an objective to increase awareness and support for the Mayor and TfL's proposals. This may include a programme of engagement with user groups, accompanied by online resources setting out the details of the proposals.

Financial risks

7. Conduct a thorough assessment of the potential financial risks for TfL of taking responsibility for additional rail services. This would include, for instance, analysis of the possible implications of slower than expected revenue growth, and any major, unanticipated repair and maintenance work that may be required.

Infrastructure planning

8. During and after the current review of Network Rail’s structure and spending plans, the Mayor and TfL should make the case for much greater involvement in the planning and oversight of infrastructure upgrades. TfL should set out the details of a proposed new infrastructure planning process, which should include the co-production of a dedicated rail infrastructure plan for Greater London. TfL should also seek to regularise its position as a co-sponsor of major rail upgrade projects within London.
APPENDIX

A. Views and information

Committee meetings

The Transport Committee held two meetings in public during this investigation. On 9 June 2015 we met:

- Cllr Matthew Balfour, Cabinet Member for Environment and Transport, Kent County Council
- Stephen Gasche, Principal Rail Transport Planner, Kent County Council
- Cllr Mike Goodman, Cabinet Member for Environment and Planning, Surrey County Council
- Paul Harwood, Principal Network Planner, Network Rail
- Geoff Hobbs, Head of Planning, London Rail, Transport for London
- Phil Hufton, Managing Director of Network Operations, Network Rail
- Stephen Locke, Chair, London TravelWatch
- Paul Millin, Travel and Transport Group Manager, Surrey County Council
- Michael Roberts, Managing Director, Rail Delivery Group and Association of Train Operating Companies
- Tim Shoveller, Managing Director, South West Trains-Network Rail Alliance
- David Statham, Managing Director, Southeastern Railway

On 8 July 2015 we met:

- Isabel Dedring, Deputy Mayor for Transport, Greater London Authority
- Charles Belcher, Board Member, Transport for London

In addition, Committee Members held informal meetings with representatives of the Sevenoaks Rail Travellers Association, Sevenoaks District Council, Railfuture, Centre for London, TSSA, RMT, London Councils, Transport for Quality of Life, London Chamber of Commerce and Industry, and Transport for All. A site visit to view the London Overground’s new Inner Anglia services was also held.

Minutes and transcripts of these meetings are available on our website here: www.london.gov.uk/mayor-assembly/london-assembly/transport
**Written submissions**

Written submissions were received from the following organisations:

- Abbey Flyer Users’ Group
- ASLEF
- c2c Rail
- Chiltern Railways
- London Borough of Ealing
- East Surrey Transport Committee
- East Sussex County Council [officers]
- London Borough of Enfield
- England’s Economic Heartland
- Enterprise M3 Local Economic Partnership
- First Great Western
- Govia Thameslink Railway
- Hertfordshire County Council
- Institute for Public Policy Research
- Kent County Council
- London Councils
- London TravelWatch
- Mayor of London and Transport for London
- Mill Hill Neighbourhood Forum
- Network Rail
- Passenger Transport Executive Group
- London Borough of Redbridge
- Reigate, Redhill and District Rail Users Association
- RMT
- Sevenoaks Rail Travellers Association
- South London Partnership
- Southeastern
- Surrey County Council
- The Railway Consultancy
- Tonbridge Line Commuters
- Transport Focus
- West Midlands Integrated Transport Authority
- West Sussex County Council

Written submissions were received from the following individuals:

- Andrew Bosi
- Ann Lusmore
- Bruce
- Chris Torrero
- D.M. Byrne
Copies of all written submissions except those marked as confidential are available on our website via:
http://www.london.gov.uk/mayor-assembly/london-assembly/publications/transport

Passenger survey

TNS was commissioned by the Committee to conduct a survey of London rail passengers for this investigation. Full survey results and a summary of findings are available on our website via:
http://www.london.gov.uk/mayor-assembly/london-assembly/publications/transport
B. The Transport Committee

Members of the Transport Committee
Valerie Shawcross (Chair) Labour
Caroline Pidgeon (Deputy Chair) Liberal Democrat
Kemi Badenoch Conservative
Tom Copley Labour
Darren Johnson Green
Steve O’Connell Conservative
Murad Qureshi Labour
Onkar Sahota Labour
Richard Tracey Conservative

Role of the Committee
The Transport Committee examines all aspects of the capital's transport system in order to press for improvements for Londoners. Its remit includes: London Underground, rail services, buses, trams, taxis and minicabs, walking, cycling, roads, and issues such as congestion, transport safety and transport sustainability. The Committee pays particular attention to how the Mayor's Transport Strategy is being implemented, and looks closely at the work of Transport for London and other transport operators.

You can find further information about the Committee and access reports at: www.london.gov.uk/mayor-assembly/london-assembly/transport

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Published by Greater London Authority, October 2015
C. Notes

1. In this report the term ‘rail’ or ‘rail services’ is used to describe franchised passenger rail services delivered under the National Rail brand, unless otherwise stated.

2. Office of Rail and Road, Regional Rail Journeys – London – Table 15.4, January 2015. Available at: https://dataportal.orr.gov.uk/displayreport/report/html/4277ce6b-bdf3-4562-a6b1-eb036b57f065


4. The methodology for the count was revised in 2006/07.

5. This franchise will be renamed as the East Anglia franchise in October 2016, following the devolution of London suburban services to TfL.


7. TfL is currently re-letting the concession for managing the Overground service. LOROL is not one of the shortlisted bidders.

8. Transport Focus, National Rail Passenger Survey, 2015. Available at: http://www.transportfocus.org.uk/research/national-passenger-survey-introduction. Passengers’ satisfaction with rail services is measured twice-yearly in the National Rail Passenger Survey. This survey covers various aspects of the passenger experience, and also produces an overall satisfaction score for all operators.

9. Respondents were asked for their top three priorities. This data includes all survey respondents who travel on National Rail services at least monthly. It does not include responses from passengers travelling mainly on TfL-run services (London Overground or TfL Rail).

10. Office of Rail and Road, Index showing average change in price of rail fares by ticket type, 2015. Available at: http://dataportal.orr.gov.uk/displayreport/report/html/ee32b90d-1f28-4963-88b4-0dff62950b77. Over approximately the same period, London Underground fares have increased about one per cent, and London bus fares about 13 per cent in real terms; see https://tfl.gov.uk/cdn/static/cms/documents/travel-in-london-report-7-data.xlsx


12. Capacity is deemed to be the number of standard class seats on the train for journeys of more than 20 minutes; for journeys of 20 minutes or less, an allowance for standing room is also made. The allowance for standing varies with the type of rolling stock but, for modern sliding door stock, is typically approximately 35 per cent of the number of seats. (Definition from Department for Transport available at: http://webarchive.nationalarchives.gov.uk/20100415103316/http://www.dft.gov.uk/foi/responses/2006/mar/congestiontrains/nicaldefinitionofexcessp2790.pdf)

13. These figures and Figure 5 refer to the one-hour high peak period, including trains arriving between 8.00 and 8.59am. Other cities measured were Birmingham, Bristol, Cardiff, Leeds, Leicester, Liverpool, Manchester, Newcastle, Nottingham, and Sheffield. Data available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459330/rail-passengers-crowding-2014.pdf

15 London Assembly Transport Committee meeting, 27 March 2015. To read the transcript of this meeting please visit: http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=173&MId=5781&Ver=4

16 See Appendix A to find out how to access written views and information received by the Committee during this investigation.

17 Transport Focus, National Rail Passenger Survey, 2015

18 These questions were asked of people who indicated they had made a complaint or compensation claim in the past 12 months. Passengers were asked how easy they found the complaints process, and/or how satisfied they were with the handling of their compensation claim. Passengers on TfL-run services were not included.

19 For Transport Committee statements on this issue see our letters to Network Rail and Govia Thameslink Railway (http://www.london.gov.uk/moderngov/documents/s46894/Appendix%201-%20Letter%20to%20Network%20Rail%20GTR.pdf) and the Department for Transport (http://www.london.gov.uk/moderngov/documents/s45022/Appendix%202-%20Letter%20to%20Minister%20of%20State%20for%20Transport.pdf).


22 Written submission from London TravelWatch


26 Excluding respondents saying ‘Don’t know’. The number of respondents was 627 for all services, 124 for Southeastern, 103 for South West Trains and 79 for Southern.

27 See Appendix A for a full list of participants in this investigation.

28 Written submission from the Mayor and Transport for London. See Appendix A for information on how to access written submissions.

29 Written submission from the Mayor and Transport for London. For comparability this calculation excludes services on the East London Line, which was added to the London Overground network after devolution.

30 Data on service frequency illustrated in this map was provided in London TravelWatch’s written submission.

31 London Assembly Budget and Performance Committee meeting, 15 October 2014. To read the transcript of this meeting please visit: http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=129&MId=5346&Ver=4


33 Written submission from the Mayor and Transport for London


36 Written submission from the Mayor and Transport for London
37 Written submission from the Mayor and Transport for London
38 See: https://www.southeasternrailway.co.uk/your-journey/assisted-travel/
39 Presentation from Transport for All to Transport Committee Members, 26 June 2015
40 Written submission from the Mayor and Transport for London
41 Written submission from the London Borough of Ealing
43 Written submission from the Mayor and Transport for London
44 Station cosmetics and ambience includes lighting, WiFi, electronic information boards, drainage, shelters and signage.
48 Written submission from Kent County Council
49 London Assembly Transport Committee meeting, 8 July 2015. To read the transcript of this meeting please visit: http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=173&MId=5690&Ver=4
50 Written submission from London TravelWatch
51 London Assembly Transport Committee meeting, 9 June 2015. To read the transcript of this meeting please visit: http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=173&MId=5689&Ver=4
52 Written submission from the Mayor and Transport for London
53 Geoff Hobbs (TfL), London Assembly Transport Committee meeting, 9 June 2015
55 Written submission from South London Partnership
56 Written submission from the Mayor and Transport for London
57 Letter from Mike Brown to Transport Committee, 7 August 2015. Mike Brown wrote to the Committee in his former capacity as TfL’s Managing Director of Underground and Rail.
58 Written submission from London Councils
59 London Assembly Transport Committee meeting, 9 June 2015
60 London Assembly Transport Committee meeting, 8 July 2015
61 London Assembly Transport Committee meeting, 9 June 2015
62 London Assembly Transport Committee meeting, 9 June 2015
63 Written submission from the Mayor and Transport for London
64 Network Rail, South East Route: Sussex Area Route Study, September 2015, Available at: https://www.networkrail.co.uk/long-term-planning-process/south-east-route-sussex-area-route-study/