

Jonathan Cooper
Alliance Rail Holdings
88 The Mount
York
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7 December 2016

Dear Jonathan,

Application for a Passenger Track Access Contract (Section 17) for services between Waterloo and Southampton Central by Alliance Rail trading as Grand Southern

Our attention has been drawn to your application for a new track access contract for prospective services between Waterloo and Southampton. As you will be aware a joint venture between FirstGroup and MTR is one of the bidders for the new South Western franchise that is currently in the process of being let by the Department for Transport (DfT). As such we have an interest in your application and are therefore taking the opportunity to comment on this initial consultation. This response is therefore made on behalf of First MTR South Western Trains Limited ("First MTR").

Before I turn to the detail of the application I would like to confirm that both FirstGroup and MTR Corporation are supportive of new competitive open access services, given the undoubted benefits that they can bring when serving new markets and attracting new users. Typically, these benefits are achieved as a result of developing services around the margins to new or underserved destinations or new market segments that are not currently catered for. However, there may be circumstances where new open access applications may not be appropriate or feasible and we feel that this application is one of those situations. As such First MTR cannot support this application.

As a bidder for the South Western franchise, First MTR has had to sign a Franchise Letting Process Agreement (FLPA) issued by the DfT. The FLPA restricts our ability to comment publically about the content of our bid for the franchise and also any of the details relating to the competition that have been issued on a confidential basis to First MTR by DfT. Unfortunately, this means that we are all only able to comment on the publically available information in this response, which we recognise will mean that we are not able to fully articulate all of our concerns.

Our response centres on whether this application will be sufficiently revenue generative to pass the Not Primarily Abstractive test and on available capacity and the implications of additional services. Taking these in turn:

Revenue Generation

London- Southampton is already well served by rail. These proposed services would increase overall demand by a modest amount, due to the improved Generalised Journey Time, but the primary overall impact would be abstraction of demand from the existing services to the new services.

Some trains are full and standing at arrival/ departure from London Waterloo. However, that is not sufficient evidence to demonstrate that further growth cannot be accommodated without the new services. Nor does it provide evidence that there is suppressed demand that would be released by the additional capacity to be provided on the new proposed services.

When these factors are taken into account revenue will naturally be shared between all services on the route and this would suggest that a significant proportion of existing revenue will be allocated to Grand Southern rather than being generative.

Capacity

Turning to available capacity, we have considered both the off-peak and peak proposals. The DfT issued an Invitation to Tender (ITT) for the South Western franchise in May this year and this contains details of the intended train service specification for the franchise. Indeed Table 2.1 of the ITT requires bidders to deliver the Franchise Objectives one of which being to *"increase capacity to meet current demand and future growth, supporting the delivery of planned infrastructure works and rolling stock investments, whilst minimising disruption to passengers."* As we cannot divulge any details of our plans for the franchise and meeting this objective, this response can only use the details contained within the publicly available ITT.

The application is predicated on the claim that there is currently not sufficient capacity in the peak without infrastructure investment, but that there is demand for services. However most of the paths applied for are off peak, when there is already available capacity on most trains to cater for growth in demand. The justification for off-peak services is not clear given that there is less demand for services at this time. We would note also that other services, particularly freight, uses capacity on the route that is not available during the peak when the timetable is focussed on maximising passenger capacity into and out of Waterloo. Our more detailed comments on off-peak and peak proposals are as follows:

Off-Peak

The ITT asked bidders to assume that until December 2018 the train service should be as per the December 2015 timetable. This therefore covers the initial period of Grand Southern's application which proposed services to start in December 2017. We note that the general design of the South Western timetable is that the off-peak period contains fewer services than in peak hours, which means that at certain points on the route outside of the peak there is capacity into and out of Waterloo. However, it is also the case that during these off-peak hours there is a significant amount of additional freight services that utilise these available paths or parts of paths (depending on the end to end journey).

Given the nature of the off-peak timetable and the presence of other operators using capacity in different ways to the peak timetable we would be concerned about the performance implications for all operators' services of these additional rights. As such, it would be extremely helpful to have sight of a detailed timetable to understand how your prospective services have been pathed.

Peak

Grand Southern has clearly recognised that there is no capacity in the peak at Waterloo, hence the proposal to only introduce peak services from December 2018. From this point enhancement works will have been delivered bringing into service additional platforms and associated infrastructure in the throat of Waterloo enabling additional services to operate. The ITT for the franchise asks bidders to provide details of a new timetable for both December 2018 and December 2020 which utilises the new infrastructure. The ITT specifies services in the peak that make full use of the newly-available infrastructure.

If additional peak services at the level of service proposed were to be included in the train plan in addition to the ITT compliant franchisee timetable, we believe that it is likely that there would be a significant adverse impact on performance of all peak-time services.

This situation is different to infrastructure enhancement plans on other parts of the Network, that have created sufficient capacity for more services than just those planned within franchise competitions. As such, it is not clear that there is sufficient capacity to accommodate these proposed services.

Based on the available information supplied with the consultation and having taken reviewed it against the factors outlined above, First MTR does not support this application.

We would be pleased to understand more detail of your proposals and would be willing to meet with you, if that would be helpful. However, I would reiterate that we are not able to divulge any of our plans for the franchise.

I am copying this letter to Craig Tomlin and Rachel Gilliland at Network Rail and to Jag Maitala at the Department for Transport.

Yours sincerely



Owen Hazell
Bid Director