

Delivering on the Williams- Shapp's plan: A new vision for train operations



Go-Ahead
a new vision for train operations

Foreword



It is my pleasure to introduce this publication from Go-Ahead Group, which sets out our positive vision for train services in the new industry structure envisaged by the Williams-Shapps plan for rail.

I joined Go-Ahead this Autumn as a newcomer to the UK rail industry – much of my experience lies in continental Europe. And as I look at the UK transport industry, it seems to me that there is much to be proud of.

The UK rail network is amongst the safest, and most intensively used, in the world. Prior to the COVID-19 pandemic, it accounted for 1.8 billion passenger journeys annually – a doubling in usage since the turn of the millennium, which is a remarkable achievement. And the men and women who work on the railways demonstrate a dedication matched in very few other industries.

The UK has got a lot right. But there is also much to improve. Many in the industry concur with the Government's view

that a single guiding mind is needed. The challenge is to match that with the entrepreneurialism and efficiency that private-sector operators can bring, including a focus on keeping costs under control that will be more vital than ever over the next few years.

We're at a critical moment for public transport. The pandemic has posed very real challenges, and patterns of travel have changed permanently. But I also see exciting opportunities as we encourage

people back to rail, and modal shift out of cars as we forge a path towards a net zero carbon future.

This document is intended to be a constructive contribution to a discussion on how train operating companies can most effectively play their part in this new future for the railways, alongside Great British Railways and all the other vital partners we work with to serve passengers.

I hope you enjoy reading it.

Christian Schreyer
Group Chief Executive, Go-Ahead Group



Rebuilding our railway from the pandemic

There is no higher priority, and no greater challenge, on today's railway than rebuilding from the effects of the pandemic. Most of all, we need to focus on getting passengers back on trains.

As we learn to live with the ongoing impacts of COVID-19, we are witnessing a return to rail – despite the onset of the new Omicron variant posing renewed uncertainty. Recent analysis from the Rail Delivery Group (RDG) has shown a 26% increase in train travel between August-October 2021. In particular, leisure journeys have rebounded strongly and are now at around 90% of pre-pandemic levels. The picture is quite different for commuter journeys of course, but even they have increased through the Autumn, from 33% of pre-pandemic levels in late August to 45% in mid-October.

But within this return to growth, we must recognise changing passenger need, particularly in commuter markets. We are moving towards an increasingly discretionary rail market as hybrid working very likely becomes the long-term norm for white-collar employees. This recognises the flexibility that home working can provide, whilst acknowledging the value of in-person interactions and the separation between work and home that office work can enable. Reflecting this change in outlook, the industry is responding.

In line with a Government decision on flexible season tickets, train operators moved quickly to introduce a Season Ticket Calculator to ensure commuters with flexible work schedules can identify and buy the right ticket for the number of days that they want to travel. This includes the new national Flexi Season Ticket that gives passengers 8 passes over 28 days.

Meanwhile, rolling stock leasing companies, including Angel Trains, have already started producing blueprints of what new carriages might look like, incorporating flexibility to move from 'commuter mode' to 'leisure mode' with adjustable seating and luggage space, laptop stations and dedicated bicycle holds – the latter providing recognition of the increasingly important role of active travel in journey plans.

In the future, we must go further on fares reform, which should incentivise more passengers to use the network. The complexity of the existing fares structure can further



deter people from using the railway. Reform of the current fares system is therefore essential to encourage the public to choose rail when they plan to travel.

With leisure travel gaining an increasing share of the market, rail can also support vital local economic growth by facilitating domestic tourism. A good example of this is the Govia Thameslink Railway (GTR) 'Discover More' programme which created close regional collaborations by bringing together local MPs, councils, business groups, tourism organisations and specific sector representatives from locations across their network. Designed to spark ideas, collaboration and solutions to boost local economic priorities, the programme established strong, creative working partnerships to attract visitors to key destinations along the route.

Because when train operators do invest in marketing, bringing their expertise and the transferable experience from other companies within their private sector operators, the returns are clear. The RDG's 'Let's get back on track' campaign, the first major national marketing campaign since the pandemic to encourage people back to trains, has been demonstrated to have been highly effective. 53% of people recalled having seen or heard the campaign, whilst 15% of people who recalled the campaign brought a ticket as a result.

Providing incentives for train operators to continue to grow passengers has never been more important than in the post-pandemic world, when rail travel has become more of a choice and we need increased passengers to close the revenue/cost gap. Whilst the old model of macroeconomic revenue risk is not going to return, it remains perfectly possible to put in place an incentive regime based around growth, and we believe the Passenger Service Contracts should do just that.

Delivering on the Williams-Shapps plan:

Creating a climate of innovation

Innovation is the lifeblood of any service provider. We all know that companies or industries that stand still go backwards, and the new model for the railway industry needs to recognise that private sector operators bring expertise and appetite for investment in entrepreneurial ideas, along with efficiencies to improve operational performance.

There is little doubt that one of the reasons for the huge passenger growth of recent decades is that train operators have had a degree of freedom to come up with new products and services to attract customers. The new industry structures need to retain an incentive regime that encourages operators to continue to do that.

Station retail, for example, has changed significantly in recent years with a much more varied choice of products and services available. You want order a coffee on an app and collect as you jump on the train at Brighton?

You can do that. Do you want a completely independent craft beer outlet in Harpenden station? We can do that too. The days when customers wanted the same generic high street stores in each station are long gone. They want a model which offers interesting, different and dynamic station retail, and to get that you need a commercial model which encourages sensible levels of risk-taking. Because only then will innovation flourish.

Allowing innovation to happen organically and in many different locations is the best way to encourage genuine new thinking. Go-Ahead Group's own Billion Journey Project, where the company works alongside start-ups to develop new technology, has seen 35 SMEs take part and resulted in businesses being given office space, access to on-the-ground rail operations and contracts. Among them is a start up called Transreport which has created an app allowing passengers to report problems with stations and services and, importantly, an app called Passenger Assistance which allows disabled passengers to request services they need to complete their journeys. The app is now in use across the country's railways as an industry standard tool.

Train operators can also innovate by improving ways of working. Predictive maintenance, for example, is vital to avoid infrastructure reaching breaking point and lean, agile planning of operations keeps passenger disruption, and cost, to a minimum. New ideas can be brought in through procurement, recruitment and in environmental technology to minimise wasted water or energy.

As these small examples illustrate, the new structure needs to enable innovations big and small to flourish. Operators of train services need to be free to take sensible risks – the unusual retailer here, the tech development there – and whilst some may fail, and the operator needs to own the commercial consequences of that, many will succeed. And where they do succeed, everyone benefits. In turn, good ideas can and will be replicated across the railway.



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Case study: How Southern Rail became passenger operator of the year

After a period when it was hit by a wave of industrial disputes, over-running infrastructure upgrades and an industry-wide failure to introduce a new timetable smoothly- over the last 5 years, Southern Rail, part of Govia Thameslink Railway (GTR), has been transformed. With a clear plan to stabilise the service, resolve the strikes and create a reliable performance, a plan to put people back at the heart of the business was undertaken.

Central to the approach was a determination to fix inherent historical problems. The method of train operations needed to be reformed and by creating the customer focused On Board Supervisor role, we saw a sharp improvement in performance, prompting passenger satisfaction to jump on Southern by ten percentage points.



However, it was being honest and fair to people internally and placing the customer at the heart of GTR’s approach to Southern that has really driven the change. Managing Director Angie Doll has said

“ The railway has always been about people. People who drive our trains, who clean our trains, who talk to our customers. The business is about moving people. The trains are just the mechanism. Love our staff and they will love our customers. ”

Go-Ahead has successfully introduced a people centric approach at GTR and diversified the business’s workforce – by appointing new leadership, empowering management and challenging performance on a day-to-day basis to push for improved quality and customer satisfaction.

Targets set across Go-Ahead to broaden gender diversity have been implemented at GTR, which has doubled its number of female train driver applications from 413 in 2019 to 825 in 2020, meaning that 40% of train drivers recruited in 2021 were female. Southern has plans to recruit 250 more apprentices in 2022, and is able to feed off expertise elsewhere within the Go-Ahead family – for example, Go Ahead London has an award winning apprenticeship scheme which hires 700 trainee bus drivers and engineers annually.

The result is a workforce that looks more like GTR’s customer base, bringing a range of perspectives and diversity of thought. And the operator’s health and wellbeing programme for colleagues has been recognised by the Rail Safety and Standards Board (RSSB) as industry leading and won ‘Large Employer Thriving at Work’ at this year’s Inside Out awards. As a result, there is a new, flexible and dynamic approach at Southern, with people as its focus. During the course of the pandemic the timetable has been

changed a record 9 times in 19 months based on customer feedback to meet local needs and changing demands.

GTR has worked with an advisory group of disabled people – our access advisory panel - for many years, which has informed policy on accessible travel. Most recently, it has introduced a new training course in 2021 for all its staff, delivered by disabled people who have hands-on experience of working in the rail industry, as well as travelling by train. This helps colleagues to better understand the needs of our disabled passengers and how they can deliver an improved service for them.

Assistance provision (incl. lift availability and reliability) has a central, consistent and visible focus across the business including at executive meetings and in the GTR managers forum. Every failed assistance is treated as a safety incident and needs to be fully investigated and have an action plan to avoid the same thing happening in the future. In addition, through ongoing training and testing of customer facing colleagues, GTR ensure that they can provide safe and reliable assistance where needed. This forms part of GTR’s Accessible Travel Policy that will also provide pre-booked assistance to all passengers at two hours’ notice. That will involve the deployment of mobile support teams who will be able to reach 41 partly staffed stations within 20 minutes to give assistance to passengers who need a ramp to board a train.

Previously, GTR pioneered the use of ‘Try a Train’ events to give those who lack confidence travelling by train the opportunity to experience a journey. During 2018/19, GTR hosted 26 trips for groups - and recently it has held a refresher.

The society-wide shift to home working has also changed how GTR operates. There has been recognition that operators need to think and act by providing a service for which customers have a choice and can choose to work from home rather than commute. The company continues to evolve its service offer to reflect its now much more discretionary market.

Southern trains on time performance: April 2016-March 2021



Train operations in a net zero world

Transport accounts for more greenhouse gas emissions than any other sector at 22% – but within this, 55% comes from cars, only 3% from buses and 1% from trains. As the most sustainable means of mass transport, the role rail can play in enabling modal shift to reduce the nation’s carbon footprint in line with net zero targets is huge. To tackle climate change, we need to further encourage the move to rail and make this a key priority for the new railway.

There is no doubt that COVID-19 has complicated the picture, but the worst possible legacy of the pandemic would be a car-led recovery that leads to increased congestion, air pollution and carbon emissions. According to the Climate Change Committee (CCC),

around 9-12% of car mileage must be shifted to walking, cycling or public transport by 2035 and 17% by 2050.

Rail can decarbonise further through a rolling programme of electrification, infills using battery and hydrogen, new rolling stock to take advantage of this greener infrastructure, and by using 100% renewable electricity. At Go-Ahead Group, our overarching aim is to reduce emissions by 75% by 2035, and to reach net zero by 2045, with science-based targets at the centre of our strategy. As well as milestones such as the elimination of all remaining diesel trains from our networks by 2035, achieving these goals will require many smaller steps along the way. These include investments in new technology, for example by improving the power efficiency of railway rolling stock, as well as a crackdown on wastage, whether through water leaks, or unnecessary use of energy.

Advances in this space have been made possible by the cross-sectoral expertise many private providers have as portfolio businesses. Climate mitigations made in non-rail operations, for example, can then be used to inform action undertaken in train operations.

The time is now to place public transport at the very heart of the global sustainability agenda, and to precipitate a permanent change in customer behaviour. Operators have shown their commitment to the net zero agenda. So too, our shareholders tell us that they view progressive environmental, social and governance values as critical in allocating capital, further driving the priority we attach to this imperative. Indeed, the CCC have been clear that corporate action is driving significant change across the UK and internationally, and accelerating this action will enable the policy, technological, behavioural, and business model changes needed for a zero carbon society.

The journey we’re embarking on requires a great deal of collaboration – with Governments, with partners and with suppliers. We will all need to work together to ensure a sustainable world for future generations.



Delivering value for the fare and tax payers

Whilst there are many success stories in Britain’s railways in recent decades, most people would accept that there is continual work to be done to make sure we deliver good value to fare and tax payers. Following the collapse in passenger demand at the beginning of the pandemic, this challenge is now greater than ever. And without doubt, delivering value for money in this way will rightly be a key priority for Government, Great British Railways and the rest of the industry going forward.

In the area of train operations, we believe there are a number of key factors the new Passenger Service Contracts need to consider in order to deliver the best value for money possible.

Firstly, train operators need to be able to continue to draw upon private sector expertise and resources. This is for several reasons. The private sector provides high-level professional challenge to train operators to help them drive down costs. Private sector owners set exacting targets, and challenge management on a daily basis. They are able, at times, to make tough decisions that can pose political challenges if taken directly by Government.

They also bring learnings from other companies within their groups – be they bus companies facing similar challenges, or train operations elsewhere in the world. They are, if you will, a form of internal management consultancy operation. But without the huge costs you would import if you were suddenly dependent on big names in that sector.

There is also a cost benefit in terms of the provision of shared services across the private sector. Whether it be payroll, legal, IT, procurement or financial expertise, many of these tasks can be done centrally within a group at a much lower cost. It is of course conceivable that all of this could be centralised for the entirety of Britain’s



railways, but the scale of that task is huge, the costs will be high and the duration unknown.

A further financial advantage of retaining a role for the private sector in the future model lies in creating an alternative source of capital availability. The railways have benefitted in recent years by drawing capital from a whole host of sources. The Government funds a great deal of investment directly of course, and in recent years public sector borrowing costs have been incredibly low – But that won’t always be the case, and if the railway is solely dependent on public investment then it will continue to compete for money (and often lose) against the demands of the NHS, schools and other worthy causes. The new model needs to retain the ability, and indeed encourage, greater capital investment from the private sector.

We can see this in action through the investment the private sector has made into new rolling stock. GTR’s franchise delivered not only 1,140 Siemens carriages which had already been ordered for Thameslink, but also £145m investment in 108 new carriages for Gatwick Express and £240m investment in 150 carriages for Great Northern. Neither of the latter two orders were in the original franchise specification, but they contributed to the biggest rolling stock transformation seen since privatisation.

Finally, the best value for money is achieved by having a good incentive structure for operators. Even London bus contracts, which represent one of the more directive forms of contract in the UK transport sector, still retain a Quality Incentive Contract (QICs) regime which allows the operator to earn an additional 10% of their fee in return for delivering against the targets set by Transport for London. Incentives work, and need to play an important role in the future Passenger Service Contracts for train operators.

In terms of the scale of industry savings made possible by incentivising train operators to save money and keep growing passengers as they have over the last 25 years, the RDG estimate that if the incentives and freedom to innovate led to each operator growing passenger numbers by just 1% and cutting cost by just 1%, then the saving to the Government would be as much as £300m per year.

The role of train operators in the new railway: our vision in summary

We stand at the cusp of an exciting era for Britain's railways. A new organisation, Great British Railways, will come into being and for the first time in a long time we will have the 'guiding mind' many feel the railway has lacked, together with a much better integration between track and train.

This all comes at a time when the global forces of pandemic recovery and net zero are shaking up the very fundamentals about how we live. The railways can and must play a bigger part in that cleaner, greener future and the over-riding imperative of our new industry structure should be to do so.

In order to truly realise this potential, we believe there is an important future role for private sector train operators, as we have set out in this paper. We summarise this in our simple four point plan for train operations within the new Passenger Service Contracts:



01. Create an incentive regime which focuses on growing passenger numbers as we recover from the pandemic, drawing on train operators' expertise in marketing and customer service; and encouraging innovation and better customer service

02. Continue to take advantage of the private sector model to drive down costs, draw upon a wider pool of expertise and open up access to alternative sources of capital

03. Prioritise the role rail can play in tackling the climate emergency via modal shift and getting the railways to net zero carbon as soon as possible

04. Use private sector expertise to anticipate, meet and respond to customer demand, owning the end-to-end customer interface in a way which makes operators best placed to understand and meet their needs

The new model for the railways is all about the customer. Rightly so. Therefore, we must do all we can to incentivise everyone involved – whether public sector or private sector – to put them first at all times. At Go-Ahead Group we stand ready and are excited to do so, working in the closest possible collaboration with the rest of the industry and the Government.

