8 March 2018

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Dear colleague

Access to the South West Main Line (SWML)

1. This letter is to update you on what has been happening with the applications we have received to use the SWML, and our next steps.

2. The applications we are considering are:

(a) From the franchisee First MTR South Western Trains (SWR) to extend its current access rights beyond December 2019 and for additional services including on the SWML and Windsor Lines from December 2018; and

(b) From open access operator Grand Southern (GS) to run 7 off peak and 2 peak services a day between London Waterloo and Southampton Central, originally planned to start in December 2017.

3. In deciding applications such as these, it is always difficult to balance the time we allow to identify and collect the information necessary to make a decision against the benefits of making timely decisions that enable applicants to firm up and progress their plans. An added complication here is the different intended start time of the requested access rights. Whilst GS wanted to start running services in December 2017 or as soon as possible afterwards, the major changes to the franchised services will not be introduced until December 2018 with further changes planned for from December 2020 and there is still some uncertainty about the precise service specification.

4. Although GS submitted its application in December 2016, we explained on 2 March 2017 that we needed to see the outcome of the franchise competition to provide SWML services before we could properly assess it. The franchise was awarded to First MTR on 27 March 2017 and it submitted its access application to us on 25 July 2017, ahead of the franchise beginning in August 2017. In the second half of 2017 Network Rail (NR) undertook capacity analysis of the applications. It submitted its initial views on capacity in August 2017 and updated these in November 2017. We published this capacity study on our website. NR gave us its views on performance in December 2017 and January 2018. In essence these repeated points made to us in Network Rail’s
response to our statutory consultation on the SWR application. We also published this response on our website.

5. NR has not agreed to either application, but it has now confirmed they are not competing for capacity. This means we do not need to carry out an economic comparison of the costs and benefits of the proposals.

6. Recent correspondence between NR and SWR has highlighted there are several important issues outstanding with SWR’s application. These cover a wide range of areas including the increase in the quantum of services proposed and the impact of the increase on engineering access times, performance and level crossing risks and whether adequate power supplies will be available. This correspondence has been published on our website. We have advised NR and SWR to continue discussions in order to reach agreement on as many of these issues as possible, and they are working together to achieve that. We have asked NR and SWR to update us on what progress they have made and the plan for further discussions by Friday 9 March. Given the scale of the uncertainty and disagreement between SWR and NR so far, we have not been able to make significant progress assessing this application.

7. In the meantime, we have approved a one-year extension of SWR’s current access contract but excluding three elements; existing journey time and service interval protection, a quantum of rights between Southampton and Waterloo equivalent to that sought by GS, and the firm rights for one peak Clapham Junction to Waterloo service which was not included in the industry consultation. This gave SWR Firm Rights for the great majority of its services when it made its Access Proposal for the December 2018 timetable at the Priority Date on 2 March 2018, and provides certainty to passengers and other operators on the SWML.

8. While NR’s assessment of GS’s application shows there is available capacity for all the proposed services, it told us high level analysis indicated the GS services were highly likely to impact train performance into Southampton and Waterloo. NR was particularly concerned about the erosion of so called ‘firebreaks’ in the timetable. On 11 December we asked NR to share its analysis, summarise how material the performance impacts were thought to be, explain what work had been done to investigate possible mitigations and set out its plans to do further work on performance risks. On 11 January NR told us it had not carried out a full performance analysis and it was inappropriate to do more given the applicant’s timescales for starting services.

9. Our current view is that NR should be able to better substantiate its concerns with the GS proposals, noting the relatively small scale of the application and the broader context of current performance concerns around the SWML. We therefore require NR to provide further evidence to substantiate its views by Thursday 29 March. In particular we need NR to explain the materiality of the performance impacts and comment on possible mitigations.

10. We have also been assessing the GS application against our Not Primarily Abstractive (NPA) test, focusing on indicative timetables that had previously been shared between GS and SWR and a detailed economic model provided by GS in December 2017.
11. Our initial review identified that a key benefit of the GS proposals could be the relief of crowding on existing services. The analysis of crowding effects is a complex, specialist area. We therefore appointed an independent consultant to review GS’s crowding model at the beginning of January, once SWR had set out how its plans might affect crowding. We also shared GS’s methodology with the DfT for comment. We discussed our consultant’s preliminary analysis with GS and its own advisers in a meeting on 14 February 2018. The analysis has led to further questions in two areas.

12. The first concerns uncertainty about what SWR’s plans affecting crowding are, as the latest information is different to the position considered in NR’s capacity modelling and to the access rights SWR has applied for. We have asked SWR to explain its position by Friday 9 March.

13. The second area concerns our understanding of GS’s economic modelling, and in particular how its crowding impacts have been generated. On 14 February 2018 GS committed to update its modelling, which we are awaiting. We will need to be satisfied that the GS application passes the NPA test if we are to approve it (although as usual this is not the only criterion for approval).

14. As we are awaiting further information from NR, SWR and GS on several outstanding issues and will need time to consider their responses and possibly ask further questions, we cannot currently say when we will be able to make a final decision on either application.

15. Please contact Rob Plaskitt, Ian Williams or David Reed if you need to discuss. We will publish this letter on our website.

Yours sincerely

John Larkinson

Copies to:
Andrew Teesdale, SWR
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