Dear colleague

**Access to the East Coast Main Line (ECML)**

1. This letter is to tell you about how we intend to take forward several applications we have received, and other aspirations we are aware of, to use the ECML. We would welcome any comments on this letter so that we can take your views into account.

2. The main applications are:

   - From open access operator GNER to run an hourly fast service between Kings Cross and Edinburgh, calling only at Newcastle. The service would run from 2016 or soon thereafter using new tilting Pendolinos;

   - From GNER to run 4 return services a day to Cleethorpes, 6 to Bradford and 1 to Ilkley, all from Kings Cross starting in 2018; and

   - From East Coast Main Line Company Ltd to extend its current track access rights beyond December 2016 and to add a new extra hourly return service from December 2019 when IEP rolling stock arrives. The extra service would go at least to Newark and DfT is seeking franchise bidders’ proposals as to where it might go from there.

3. Other potential services that we are aware of include freight operators who want to update their current contracts and 2 additional TSGN services each hour that DfT has indicated it would like to run that would impact the southern end of the ECML. Govia Thameslink will be applying in due course for the access rights it will need to operate its timetable beyond July 2015.

4. Network Rail has been unable to agree the applications listed in paragraph 2 because it is unclear to what extent there will be capacity to accommodate them all, what the performance implications might be and, where there are trade-offs, what those choices would entail.
5. In order to answer these questions, Network Rail has started analysing ECML capacity, working to a remit that it has circulated to stakeholders and updated in light of comments. We expect a draft report to be ready by the end of July, and the report to be finalised during August. Network Rail also intends to invite stakeholders to review the work done so far in early July.

6. Our plan is to consider all the identified potential uses of capacity together in the round, rather than to assess them one by one. This is because a piecemeal approach would be more complex, and it is not clear in what order the potential uses of capacity should be considered and against what baseline.

7. In making decisions about the best overall use of capacity, we must consider all of our duties and balance them where they do not all point in the same direction. Our duties are varied and include (in no particular order) protecting the interests of users of railway services, promoting use of the network, competition and efficiency and having regard to the Secretary of State’s financial position and his, and the Scottish Minister’s, guidance to us.

8. Our policy is to not approve competing services that would be primarily abstractive of an incumbent’s revenue. We determine whether a service is primarily abstractive using a five-stage test which we set out in our criteria and procedures. The test considers whether the primary impact of a new service would be to abstract revenue from incumbent operators without compensating benefits – if so, we would reject the application. As part of this test we calculate the ratio of forecast revenue generated to forecast revenue abstracted: we would not expect to approve new services that do not generate at least 30p for every £1 they abstract from the incumbent services of other operators.

9. But passing the test does not in itself guarantee we will approve a new service; we use the test to help us decide the best overall use of capacity. Our duties are wide ranging and we will need to consider them all in any decision. For example, the absolute level of abstraction may still be relevant in a particular case and whether that abstraction is balanced by compensating benefits.

10. We therefore expect to assess the wider costs and benefits of the possible capacity uses on the ECML. While the main options should emerge from Network Rail’s capacity study, this will probably not give the full picture because DfT does not expect to announce the winning bidder for the East Coast franchise until November. This means it will be some time before the specific proposals of the winning franchise bidder will be known publicly. Given the complexity of the ECML position and of doing cost benefit analysis, a decision from us may not be possible until early in 2015.

11. We recognise, however, that an earlier decision will reduce uncertainty and help all current and prospective operators plan their businesses with reasonable assurance.

12. The DfT is therefore considering whether it is able to share with us, confidentially, a summary of the service proposals received from bidders. This would allow us to start developing Network Rail’s analysis further ahead of November. In addition, the DfT has agreed to provide, in confidence, its detailed thinking on the possible financial consequences of new open access on the ECML for the Secretary of State’s budget, again
ahead of November. These two pieces of information will enable us to get a head start with the cost benefit analysis we expect to do.

13. I hope this is helpful, but please do not hesitate to contact me, Ian Williams or David Reed if you need to discuss. We will publish this letter on our website.

Yours sincerely

Rob Plaskitt

Copyees

Ian Yeowart (GNER)  Andrew Murray (DfT)
Amanda Furlong (Arriva Group)  Steven McMahon (Transport Scotland)
Matt Rice (Network Rail)  Current ECML operators
Paul McMahon (Network Rail)  ICEC franchise bidders
Peter Craig (Network Rail)  GoVia (as future TSGN operator)
Elizabeth de Jong (DfT)  Passenger Focus/London TravelWatch