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12 February 2014

Dear James,

Thank you for your email addressed to Rachel Gilliland, dated 24th January 2014 regarding Alliance Rail Holding's (Alliance) Section 17 proposal. It is encouraging that Metro does not have any objection in principle, and also that the government values the benefits of competition that open access can bring, and this was echoed in the Houses of Parliament on the 23rd January 2014 when Rail Minister Stephen Hammond MP stated:

“Open access operators have helped to provide innovative services for passengers and have helped to grow new rail markets—often with excellent passenger satisfaction scores. The additional competitive pressure in the market provided by open access can also improve the experience of passengers of franchised services”.

You made a number of comments in your email, and I address each one individually below.

The Alliance proposals will require services to make optimum use of the infrastructure, and we expect that this will be in accordance with the established industry rules contained in the Network Code and within the available contractual flex contained in operators contracts.

The initial fund remit from The Secretary of State “... seeks further improvement in capacity and reduction in journey times and believes there are good business cases for both”. This remit of course covers the entire ECML. Metro will be aware that Bradford and Halifax now have a regular service to London due only to the efforts of Grand Central, an open access operator, and that improvements in services to these locations were vigorously resisted by the DfT and the previous franchised and current East Coast operator. Alliance is also examining the case for additional services to Leeds and Bradford, and has had discussions with Metro regarding their implementation.

The allocation of paths follows a specific programme, and it is worth remembering that the previous franchise – National Express – delayed the award of rights to Grand Central for Halifax and Bradford by promising additional services to Leeds/Bradford/Harrogate and Skipton – none of which were delivered. Bradford and Halifax (along with Brighouse and

Wakefield) have new direct services delivered at private risk and operating because there is a commercial market, not because of a DfT whim.

Alliance would expect that the ORR will make an economic judgement based upon the overall value of any additional services proposing to use the ECML.

The ORR applies the 'not primarily abstractive test', which aims to ensure that applicants for open access routes will generate at least 30p of new revenue for every £1 (0.3) of existing revenue which is abstracted from franchised operators. The ORR has concluded that if the open access operator generates any less new revenue, the benefits of their operation would not outweigh the costs.

The Government policy as recently re-stated by Transport Secretary Stephen Hammond MP *"is to support the not primarily abstractive test in its current form"*, and that *"our assessment is that for this very different part of the rail market the open access system works well for both customers and the public purse"*.

The Alliance proposal comfortably exceeds the threshold set by the ORR, and as acknowledged by the government, offers a service that will work well for both customers and the public purse.

Yours Sincerely,



Ian Yeowart
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