



Maintaining and improving Britain's railway stations

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EXECUTIVE SUMMARY



1 Britain's 2,507 railway stations¹ vary greatly in size. Each of the 28 largest stations is used on average by 90,000 passengers a day, and each of the 1,200 small unstaffed stations by just 100 passengers. Seventy per cent of all rail journeys are made from the busiest 10 per cent of stations. Network Rail owns most stations and is responsible for their structural repair and renewal. It also operates and manages 17 large stations, known as managed stations. It leases the remainder, known as franchised stations, to 22 Train Operating Companies (TOCs) responsible for station maintenance, cleaning and operations. These TOCs pay rent (including regulated charges²) to Network Rail.

2 The Strategic Rail Authority (SRA) has had a key role to play in stations, since the government established it in February 2001 to deliver strategic leadership to the railway industry. It inherited from its predecessor, the Office of Passenger Rail Franchising (OPRAF), minimum standards, including facilities and services required at franchised stations, monitored TOCs' compliance with requirements and helped fund stations' operation and improvement. Other public and private sector organisations also play a part. The SRA is being abolished under the Railways Act 2005, its strategic and franchising roles being transferred in England and Wales to the Department for Transport (the Department) and in Scotland to the Scottish Executive. Network Rail will take over its responsibility for monitoring TOCs' operational performance, while the Office of Rail Regulation (ORR) will take over its monitoring of some consumer protection issues.

TRANSFER OF SRA RESPONSIBILITIES TO SUCCESSOR BODIES

Network Rail – April 2005

- Monitoring of TOCs' operational performance
- Development and implementation of Route Utilisation Strategies

Department for Transport – June 2005

- Rail strategy and high level output specification
- Franchise specifications (including minimum standards for stations)
- Administration of rail freight grants
- Accessibility for disabled people

Department for Transport – July 2005

- Awarding of franchises and franchise and contract management (including monitoring of compliance with station standards)
- Rail procurement and performance
- Sponsorship of major rail investment projects
- Sponsorship of British Transport Police

Office of Rail Regulation – July 2005

- Enforcement of consumer protection matters within operating licences

Department for Transport – August 2005

- Financial monitoring
- Technical strategy for systems, signalling and rolling stock
- Advice to Ministers on safety, affordability, modelling and analysis
- Stakeholder management
- Community Rail
- Management of relationships with statutory bodies, Passenger Transport Executives and Transport for London
- Sponsorship of the newly reconstituted Rail Passengers Council

Scottish Executive – October 2005

- The same responsibilities in Scotland as those being transferred to the Department for Transport in England and Wales (see above)

¹ These are stations on the 'heavy rail' network excluding heritage lines, London Underground and other metropolitan underground stations.

² Charges set for five-year control periods and regulated by the Office of Rail Regulation.

3 In *Action to improve passenger rail services* (HC 842, 1999-2000), we reported a fall in passenger satisfaction with the station environment since privatisation. In this report, we examine whether passengers are satisfied with station facilities and services and whether station requirements are being met, the barriers to station improvement and what is being done to overcome them. Our methods, which are described in Appendix 1, included on-the-spot surveys of a cross-section of 120 stations across Britain to assess the facilities and services provided. Developed in consultation with the SRA, Network Rail, the Association of Train Operating Companies (ATOC) and the Rail Passengers Council (RPC), and carried out in partnership with the RPC, our surveys covered the basic contractual requirements at franchised stations as well as the services and facilities that passengers might reasonably expect to find at stations.

Passenger satisfaction has improved a little, but remains low for many stations and for particular facilities and services

4 The SRA was required to secure increased levels of customer satisfaction with the quality of stations. There has been a little improvement in passengers' satisfaction over recent years. National Passenger Survey data show that satisfaction increased from 59 per cent to 63 per cent between 1999 and 2005, and that passengers have been consistently more satisfied with stations than on-train factors. They have been less satisfied with stations than with train punctuality and reliability, however, even where satisfaction with the latter has itself been as low as 59 per cent. Passengers are reasonably satisfied with the 95 largest stations, which carry more than half of all rail passengers each year, are staffed and have a range of facilities. They are least satisfied with the more than 2,000 medium-sized and small stations that are unstaffed, or are staffed for only part of the day, and that have few facilities.

5 Satisfaction with station facilities and services also varies. Passengers are most satisfied with passenger information, staff assistance at stations and, at staffed stations, connections with other forms of public transport and ticket-buying facilities. But levels of satisfaction are lowest for station facilities and services, the overall station environment, cleanliness, upkeep and repair, personal

security, and station car parking. And, more than half of Britain's stations are not fully accessible to disabled people. Dissatisfaction with the station environment and station upkeep and repair can be attributed, in part, to most stations being over 100 years old. But there are also shortcomings in maintenance and repair arrangements, while the measures of station condition prescribed for Network Rail by the ORR focus on structural elements and take insufficient account of the station environment and its appearance – which are important for passengers. The ORR, working in consultation with the rail industry, has developed a Stations Code, expected to be introduced in April 2006, to clarify responsibilities for repairs and maintenance at franchised stations and encourage better management of them.

6 Research carried out for the Department in 1996 and 2002 suggests that improving personal safety would result in 15 per cent more journeys by train (and Underground), much of it outside peak hours. The SRA has supported national schemes promoting good practice in station and car park security, but the schemes have had limited impact because fewer than 5 per cent of stations are accredited and the schemes have not been targeted at stations with high levels of crime.

But there is a gap between rising passenger expectations and what the government and the industry can afford to spend and justify as value for money

7 The SRA, and before it the Office of Passenger Rail Franchising (OPRAF), set basic obligations for most franchised stations that largely reflected the facilities that existed at the time of privatisation rather than identified passenger needs. TOCs have generally complied with them, and Network Rail has reported an improvement in stations' structural condition since privatisation. A variety of contractual agreements set out Network Rail's and TOCs' respective roles and responsibilities, and there are various sources of funding for the maintenance, repair and renewal of stations, involving a complicated flow of taxpayer subsidies together with income from passenger fares and from commercial concessions such as shops and cafés at stations. None of the organisations involved collected information about the total amount of public

and private sector money spent on stations. We estimated that, in 2003-04, over £420 million was spent on day-to-day maintenance, cleaning and operations of stations, including £370 million by TOCs at franchised stations, and that Network Rail spent over £100 million renewing station assets including £65 million at franchised stations.

8 Network Rail has an incentive to invest in stations where this adds to the value of the network and the Regulatory Asset Base, against which it can borrow in the capital markets and for which it receives regulated charges from TOCs. Any increases in charges have to be met by increased public subsidies payable to TOCs. Other public sector organisations, such as Passenger Transport Executives, devolved administrations and Transport for London also invest taxpayers' money in stations to meet their objectives of improving public transport. TOCs have been incentivised to invest in stations through their franchise plans as part of their bids for franchises, and more generally have been expected to respond to commercial returns associated with attracting more passengers onto the railways.

9 But there is a cost associated with meeting higher station requirements and improving station facilities and services, while there are also other demands on the funds available. There is a gap between rising passenger expectations on the one hand, and value for money and what the government and the industry can afford to spend on the other. The SRA told us that, had it increased requirements, the result would have been a greater call on the public purse. The industry has focused much of its investment on larger stations, benefiting the largest number of passengers. The low level of passenger use at smaller stations makes it difficult to make a business case for investing in improved or additional facilities. For many station improvements, it is difficult to place a value on benefits in the form of improved passenger comfort and an improved station environment. Ultimately, there is a trade-off between the quality of station facilities and the level of passenger fares. The SRA considered that, while satisfaction with the value for money of the price of a train ticket has remained within a range of 41 per cent to 44 per cent over the period, the gradual rise in passenger satisfaction with stations supported its approach of maintaining and improving stations where funding and value for money considerations permitted, alongside the industry's key priority of improving train punctuality and reliability since the Hatfield derailment in October 2000.

10 At privatisation, the Department and OPRAF anticipated that TOCs would improve franchised stations beyond the basic requirements in response to commercial incentives to attract more passengers and secure higher revenues. But this approach has not delivered the outcomes envisaged. Intended for all new franchise agreements from 2004, the SRA has established a higher level of requirements in some respects and some new requirements. For example, while previous franchises required stations to be kept reasonably clean, the new franchise agreements require stations to be kept free from litter, bins to be emptied when full, all windows and glass to be kept clean and replaced when damaged, offensive graffiti to be removed within 24 hours and other graffiti to be removed within seven days. The SRA has also established financial penalties to encourage compliance. TOCs have expressed concerns to the Department for Transport, however, that the new requirements are too detailed and prescriptive. For future franchises, the Department is developing a more differentiated approach depending on the nature of the franchises. The SRA has also recently set out a Community Rail Development Strategy to guide the industry in exploiting the potential for developing local and rural railways. The Strategy envisaged a separate designation of Community Rail Lines distinct from the rest of the rail network, with standards, including those for 390 local and rural stations, which were more appropriate to the lines' level of usage. This would be a way of reducing costs on lines that were underused and required unaffordable levels of subsidy. With the abolition of the SRA, it will be for the Department to take this strategy forward and consider the case for establishing varying standards at stations on the rest of the network.

11 Although we estimated that around £148 million was spent by the industry on station improvements in 2003-04, funding constraints constitute the biggest barrier to further improvement. Having originally envisaged spending £225 million on new facilities at 980 stations in its Modern Facilities at Stations programme, the SRA shrank the programme to £25 million and 68 stations to match the amount of money the Department made available. Funding constraints also prompted the SRA to halt funding for new projects under its Rail Passenger Partnership (RPP) programme in January 2003, after the SRA had spent £20 million supporting 32 station improvement schemes.

12 Availability of funding is also a factor in meeting the requirements of the Disability Discrimination Act 1995. The Act requires the provision of accessible services across all industries. In the context of stations, Network Rail and the TOCs that run franchised stations were required, by October 2004, to have made reasonable provision at their respective stations for disabled people to travel. The SRA took the lead in responding to the requirements of the Act, but estimated that it would cost the industry over £1.5 billion to make all stations fully accessible, and progress has been slow. By March 2005, the SRA had drawn up proposals to spend £374 million on accessibility improvements over the next ten years, and had issued a draft accessibility strategy for consultation with the industry on the priorities and proposed criteria for allocating the money available.

13 There are also increasing passenger capacity pressures at some managed stations and large franchised stations during peak periods. Britain's stations made possible more than one billion passenger journeys in 2003,³ the most since 1961 (when there were around 4,700 stations⁴). But increasing capacity is costly. Network Rail has estimated that essential upgrading up to 2016 at 11 major stations might cost over £2 billion, much of which would require funding from taxpayers.

But there are also structural barriers to the improvement of stations

14 Although the SRA did not have a strategy to guide the industry, considerable investment has been attracted into the improvement of stations. But, more funding and support is needed from the private sector to meet passenger expectations. The industry and other interested parties told us that obstacles are discouraging investment in station improvements:

- Network Rail has sought to ensure that the risks of new works are fully identified and that it does not take on risks for which it is not funded. Promoters and funders of improvement projects might, therefore, be required to bear all of the risks and pay what might be the considerable cost of insuring against them. Some stakeholders and some members of our expert panel considered that Network Rail's procedures for approving improvement projects are complicated and inflexible, and its fees for its work on station enhancements high. Some expert panel members also considered Network Rail's interest in developing franchised stations to be insufficient as it does not have corporate targets in this area;
- two-thirds of TOCs told us that the short length of their franchise term – typically seven years – discouraged them from investing more in stations as the investment may take ten to twenty years to achieve payback. And a TOC's incentives to invest in a station diminish as its franchise term progresses. The SRA considered, however, that TOCs' investments are protected because they receive the balance sheet value of their assets at the end of their franchise term; and
- there is a funding gap for some station improvement projects. Network Rail has undertaken improvements where the SRA has agreed that they contributed to the long-term value of the network, and consequently the ORR has permitted them to be added to Network Rail's Regulatory Asset Base (RAB), against which it can borrow in the capital markets. As increases in access charges would have to be met by increased public subsidy, however, the SRA has been reluctant to support further increases to the RAB at a time when the government's emphasis has been on affordability.

³ National Rail Trends, Yearbook 2003-04, Strategic Rail Authority.

⁴ British Rail Yearbook, 1963.

15 After previous unsuccessful attempts, the Department and the SRA recently started to work in a concerted way to address some of these issues and, in particular, to explore more innovative ways of bringing investment into stations from outside the rail industry. As part of the Rail Review in 2004, the Department received submissions from within and outside the industry that included ideas for improving the management and development of stations but deferred these matters while it concentrated on the higher level architecture of the industry. The SRA's Community Rail Development Strategy seeks to promote a local community approach in the running and improvement of local and rural stations, involving volunteers developing community uses for a station, making it easier for third parties to invest in station improvements and improving the station's integration with the local community. Network Rail has proposed setting up an Industry Risk Fund to better allocate and share risks associated with improvement projects, including at stations. In November 2004, the SRA set up an industry working group, which includes consideration of a range of options for attracting private finance into station improvements, one of which is the setting up of Private Finance Initiative station companies, involving consortia of banks, design and construction companies, facility managers and commercial property developers. Station companies might design, finance and project manage station development schemes using the Private Finance Initiative approach as part of urban regeneration packages based on business cases wider than the industry norm. Bundling some of these stations with others in a locality, along a route or franchise, or regionally might allow development gains to be shared across other stations.

16 But such solutions would not be straightforward, requiring major changes to the current arrangements for station management, maintenance and repair and service standards to be agreed between station companies, Network Rail and TOCs. They would also have implications for Network Rail's future funding, as its funding plans are based upon securing commercial property gains that would potentially be lost if station companies were to be established. With the abolition of the SRA, it will be for the Department for Transport to take these ideas forward. The Department has not established within its new Rail Group, however, specific responsibility for taking forward the work on stations that it is inheriting from the SRA.



RECOMMENDATIONS

17 With the forthcoming transfer of the SRA's strategic, franchising and operational monitoring roles, the following recommendations are directed at the Department and the other bodies that now have responsibilities for stations.

- i** Building upon the SRA's Modern Facilities at Stations and Community Rail Development Strategy, the Department should work with the industry to develop agreed minimum requirements for different categories of stations and agree on how and when these levels will be met where stations currently fall short. The requirements should be made clearly understandable to passengers, for example through a star rating system, so that passengers know what they can reasonably expect to find at different stations.
- ii** The Department should encourage greater involvement of passenger representatives in monitoring TOCs' performance at franchised stations and their compliance with the Code of Practice on access for people with disabilities, and publicise summaries of the results.
- iii** Once they have established their new measure of station maintenance and appearance, Network Rail and the ORR should make readily available to passengers the summary results of the annual inspections on which the measure is based.
- iv** The Department should work with Network Rail and TOCs to raise passenger awareness of, and support for, the Secure Stations and Safer Parking Award schemes and encourage more TOCs to participate in the schemes, particularly for stations where there are high levels of crime.
- v** Given the slow progress to date in responding to the Disability Discrimination Act 1995, the Department should quickly press on with the results of the SRA's consultation on its draft accessibility strategy and carry out three-yearly reviews of progress in delivering the priorities for improving accessibility by 2015.



- vi Given third parties' concerns that Network Rail's fees for its work on station enhancements are high, the ORR should assess the case for organisations that promote and fund improvements to carry out some or all of the work themselves to save money, and tackle the barriers to entry where this would be more efficient.
- vii The ORR, in consultation with Network Rail, the Department and the industry, should set out and make available on the ORR's and Network Rail's websites the steps that Network Rail should follow in its engagement with other organisations in considering their proposed station improvement projects and develop corporate targets for Network Rail to carry out and complete each stage of the process within specified periods of time. The ORR should include both the process and the targets in the new Stations Code.
- viii The Department should, in consultation with the industry, set out its vision for stations over the next ten years, including the role of private sector investment in stations alongside the government's priorities for its own funding of station maintenance and improvements. It should, in particular, consider the capacity pressures that are anticipated over the next ten years and how they might best be overcome by government, the rail industry and other partners.
- ix Building on the work of the SRA, the Department should work with the industry to tackle the barriers to bringing investment into stations from outside the rail industry. It should respond to outside interest in evaluating the range of options that have been proposed, including extended franchise periods and setting up of station companies involving private sector consortia, to assist in attracting greater investment in stations, for example, as part of wider urban regeneration packages. As part of its consideration of options, the Department should examine the scope to simplify the currently complicated contractual and funding arrangements for stations, to achieve efficiencies and make the funding of stations more transparent.