

Lee Shuttlewood
Track Access Manager
Stagecoach South Western Trains Limited
Friars Bridge Court
41-45 Blackfriars Road
London SE1 8NZ

10 March 2017

Re: Section 17 application by Alliance Rail Holdings (operating as Grand Southern Railway)

Dear Mr. Shuttlewood

Apologies for what appears to be a late response to your consultation reply, but Stagecoach sent 2 replies on 8th December. Our initial response follows later in this reply, and addresses most of the points raised in your own letter. A couple of points not covered initially are addressed below.

From a revenue point of view, the ORR will determine the level of generation during the decision process, and we will naturally not share with Stagecoach any of our modelling or methodology.

You state that there are "*a number of services on which advance fares are available*", quoting Megatrain as the source. Of course Stagecoach provides the Megatrain service as well as the franchised train service so the competition element for passengers is clearly the missing ingredient. You say yourself Megatrain is targeted at a different demographic, so providing competitive fares for current rail users is not its aim.

Any staffing issues at stations will be dealt with via the station access contract.

Southampton Airport Parkway has been removed as an additional station, and I apologise for any confusion.

Yours sincerely



Ian Yeowart
Managing Director

Initial reply sent to Stagecoach 16th December 2016

Anthony Hyde
SWF Bid Director
Stagecoach Rail
Friars Bridge Court
41-45 Blackfriars Road
London SE1 8NZ

16th December 2016

Dear Mr. Hyde,

Application for a Passenger Track Access Contract (Section 17) for services between Waterloo and Southampton by Alliance Rail trading as Grand Southern

Thank you for your response to the consultation for new services between London Waterloo and Southampton Central.

Your first paragraph comments on open access applications are clearly wrong and misinformed, and the timing of the application is precisely to allow the bidders clarity during their own submissions. The ORR has regularly commented on the timing of open access applications, although of course applications can be made at any time. As an operator of open access services itself, Stagecoach will be very aware of the difficulties faced with applications.

We are aware of the confidentiality surrounding franchise bids, and the content of the train service specification. That is clearly a matter between Stagecoach and the DfT. We are also very aware that previous open access applications have been copied by bidders during the bidding process, but that is a risk that we have to accept in a competitive environment.

You listed a number of points in your response on capacity, revenue generation, performance and rolling stock. Initially of course it needs to be pointed out that unlike the ECML, the SWML has had no open access competition on the route since the railways were first privatised, and as a result the franchise has been a monopoly supplier, very profitable, but with significant disbenefits to its passengers.

We note that you have not argued that the additional peak services cannot be accommodated only that there could be an impact on performance – but presumably not if the franchise provided them. Alliance also notes that new infrastructure is not solely for the exclusive use of the franchise. Indeed it is a legal principle of Directive 2012/34 that:

*"In order to boost competition in railway service management in terms of improved comfort and the services provided to users, Member States should retain general responsibility for the development of the appropriate railway infrastructure."*¹

Your suggestion that if this application was successful “..this would have a detrimental impact on our proposed service, including reducing the number of services we would operate” is a matter for you as bid director and the strength, value and competitiveness of your bid. Never before has an open access application caused a reduction in services, the introduction of competitive pressure has always seen the exact opposite. The franchise operates 1600 trains a day, this application is for 18 trains a day.

You then state that our application would be revenue abstractive, but have have provided no evidence to support this view. Alliance has developed its proposal based on a low fare model and by providing faster services, particularly from Eastleigh and Hook to Wimbledon and London. In addition our analysis by our consultants AECOM has shown that the demand in the peak is significant and is not addressed by the franchised services. The analysis we have shared with the ORR indicates that such a service provision would exceed the NPA threshold by a significant margin, and would have the added benefit of providing, for the first time, choice to passengers.

Alliance is not seeking a monopoly as is Stagecoach, but we are seeking to address a problem that has existed for sometime but which has not – and your response suggests it may not in the future - been addressed by the franchise. At Waterloo, Grand Southern will account for less than 1% of the total services.

¹ Directive 2012/34 Recietals

We plan to introduce services using Class 442 initially. The fleet is planned to be maintained at Arriva Train Care in Eastleigh. While measured reliability is understandably lower than with new build trains, that does not equate to poor reliability as is claimed. Their generous accommodation makes them some of the most luxurious long-distance commuter trains anywhere. Interestingly you focus on the “*inappropriate seating layouts with inefficient capacity provision*”, the very things that create the ‘intercity commuter’ train that is valued by passengers. Your comments suggest that Stagecoach regard comfort and space as a bad thing, and that the provision of uncomfortable and cramped seating is somehow more beneficial. We disagree with that approach. Our peak services would provide crowding relief closer in to London, as the service is planned to operate from Southampton, Eastleigh and Winchester, releasing capacity on other services at Basingstoke.

On the ECML, on track competition has driven demand. Franchise and open access services have seen demand and revenue greater than at stations where there is no competition. Competition on the ECML has been a great success. The Wessex Route Study has identified the overcrowding issues and seeks to address them. The route is not declared congested, and Grand Southern intends to operate with the maximum sized trains allowed.

Our outline work identified that capacity exists and our application is the only application seeking that capacity. Just like passengers on the ECML we believe that passengers on this route should also have a choice and that healthy competition between the franchise and Grand Southern will lead to a step change in customer service and customer experience. Evidence clearly shows that competition will lead to lower fares, more passengers and better quality.

Yours sincerely,



Jonathan Cooper
Head of Contracts and Compliance