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June 2015



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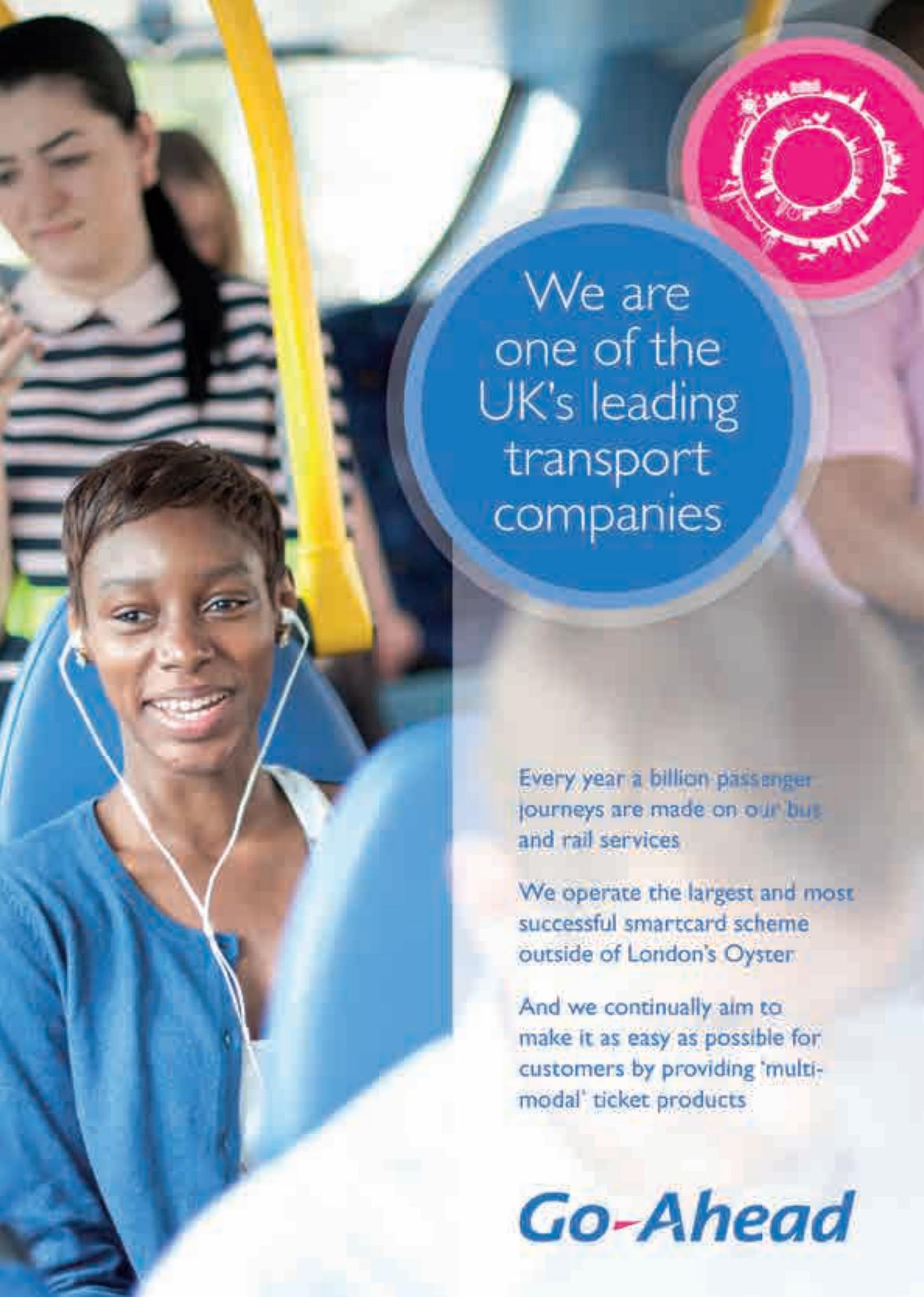


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# The return of Patrick McLoughlin





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**Publisher** David Begg  
**Email** david.begg@transporttimes.co.uk

### Editorial

Transport Times welcomes editorial contributions – news, features and opinions – which should be emailed to the address below. The editor reserves the right to edit all contributions for reasons of length and style.

Unit 27  
Beaufort Court  
Admirals Way,  
London  
E14 9XL

**Tel** 020 7828 3804  
**Fax** 020 7828 3803  
**Email** editorial@transporttimes.co.uk

**Editor** David Fowler  
**Email** david.fowler@transporttimes.co.uk  
**Associate Editor** Adam Raphael  
**Email** adam.raaphael@transporttimes.co.uk  
**Production Editor** Rob Buckley  
**Email** rob@robbuckley.co.uk

### Advertising

**Sales Director** Isabel Poulton  
**Email** isabel.poulton@transporttimes.co.uk  
**Tel** 01236 739577

### Printer

Buxton Press Ltd  
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## Reappointment bodes well for the DfT

**A**s the dust settles following one of the most unpredictable general elections in modern times, one positive outcome is undoubtedly the reappointment of Patrick McLoughlin as Secretary of State for Transport.

Turnover at the DfT has been a cause of concern for many years. When Mr McLoughlin arrived, he was the seventh holder of the post in seven years. The fact that, despite not having quite completed three years, he is now the seventh longest serving Transport Secretary since 1950 speaks volumes.

Mr McLoughlin himself put it, "When you're in charge of long-term infrastructure projects, such a high turnover can be destabilising." So a continued period of stability can only be a good thing.

With Mr McLoughlin back, the DfT is headed by a man who has won the respect of colleagues and the industry for his grasp and understanding of his brief.

Equally welcome was the fact that for his first speech of the new parliament, he chose to travel to Leeds to reaffirm the Government's commitment to a range of key initiatives.

He declared the argument over HS2 "has been won" – though not all its opponents will accept this – and that the full Y-network, reaching Manchester and Leeds, will be built.

A wave of activity is expected in the autumn, with phase one moving into procurement mode, and a government announcement on the way forward for phase two. Plans to accelerate the benefits for the north of England, including the promise of a hybrid bill for the section to Crewe in this parliament, are in hand.

Mr McLoughlin also reaffirmed a commitment to the Government's complete £70bn infrastructure investment programme (for road and rail) for the next five years. Of this £13bn



**Turnover at the top of the DfT has been a cause of concern for many years**

is due to be spent in the north of England, and the Transport Secretary pledged not to "waste a moment" in starting on chancellor George Osborne's plan for a Northern Powerhouse.

With the publication of the Cities and Local Government Devolution Bill alongside the Queen's Speech, city devolution is already shaping up to be a key theme of this parliament – though there was some surprise that provisions to give combined authorities control of bus franchising appeared in a separate Buses Bill, which will be the responsibility of the DfT and is likely to be a source of controversy.

So Mr McLoughlin has hit the ground running, though a

number of tricky issues await him in the not too distant future, not least the question of responding to the final report of the Airports Commission.

But a big question surrounds the chancellor's continuing programme of austerity and its promised £30bn of cuts. Already departments other than health, education and overseas developments are expecting to have to find cuts of 15% or more. Given the Government's commitment to its transport investment, does this imply that cuts will fall even harder on local transport budgets? The Local Government Association chairman David Sparks has said: "Local authorities have made £20bn savings since 2010. Further local government funding reductions over the next five years are not an option. The new government must consider the consequences that further cuts, without radical reform of the way public money is spent, will have."

The situation was compounded further as *Transport Times* went to press with the news that the chancellor would announce a new fiscal framework entrenching an obligation on governments to run budget surpluses in "normal times".

Will the Government be able to square this circle? The situation may become clearer with the Budget on 8 July.

**David Fowler is editor of Transport Times**



The forthcoming Budget presages more austerity

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Duncan Irons  
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Patrick McLoughlin: "The economy and infrastructure were the top two manifesto issues"



## Full speed ahead for HS2, pledges McLoughlin

by David Fowler

**P**atrick McLoughlin used his first speech since the general election to reaffirm the Government's commitment to HS2, the Northern Powerhouse and investment plans for transport infrastructure in general.

Speaking in Leeds he pledged "not to waste a moment" on pressing on with creating the Northern Powerhouse. He used the speech to declare that "the argument has been won" on HS2 and that the general election was "a massive vote of confidence" in the project.

Mr McLoughlin said he was "excited" at being reappointed Transport Secretary. "Before I took on this job in 2012, there had been seven transport secretaries in seven years," he said. "When you're in charge of long-term infrastructure projects, such as a high turnover can be destabilising."

Mr McLoughlin said "the economy and infrastructure were the top two issues in our manifesto". The election result, he said, was a clear mandate in

which the electorate "voted for £70bn of capital investment in transport that we will deliver over the next five years".

Of this, he added, £13bn would be invested in northern transport, including major improvements to the A1, M62, M1, and A555, building the Northern Hub, introducing new trains on the East Coast main line, and abolishing Pacer railcars.

On HS2, he pledged that the full Y-network, from London to Birmingham and Birmingham to Manchester and Leeds, would be built, with construction starting in two years.

The hybrid bill for phase one had been re-presented to Parliament. An announcement on plans for phase two would be made this autumn.

But he was also determined to get the benefits of HS2 to the north as fast as possible. He promised to introduce a hybrid bill in this parliament to bring HS2 as far as Crewe faster than originally planned, subject to analysis and a decision on the preferred route. "Work will also continue to look at ways of using the HS2 line to

introduce faster regional services and at the case for speeding up construction of the Sheffield to Leeds section," he said.

The Government would also progress plans to transform east-west rail links, with high-speed services linking Liverpool, Manchester, Leeds, Sheffield, Newcastle and Hull.

The North would be empowered "to shape its own future". Transport for the North, the new body created to bring the region together, which is working with the Government to develop a northern transport strategy, would have an independent chair by the autumn. This would allow the north to speak "with one voice" on improved train and bus services, introducing an integrated smart ticketing system for the whole region, reducing road congestion and improving links to ports and airports.

James Wharton, the minister responsible for Northern Powerhouse at the Department for Communities and Local Government, and Andrew Jones, with the equivalent responsibility at the DfT, were present at the event

along with Sir David Higgins and Simon Kirby from HS2 Ltd.

It remains unclear how transport funding will be affected by the continuation of the Government's austerity programme. The Institute for Fiscal Studies suggests that unprotected departments (those other than health, education and overseas development) could face cuts of 15%. Given the commitment to preserve investment, this could mean DfT current spending could be hit even harder.

Last week chancellor George Osborne revealed that the DfT will make an additional £545m savings from this year's budget, of which £345m is expected to come from the sale of surplus land around King's Cross.

As *Transport Times* went to press, Mr Osborne was due to announce a new fiscal framework with a permanent commitment to run budget surpluses while the economy is growing. The chancellor will present a new Budget on 8 July.

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## New transport ministers named

Transport ministers Claire Perry and Robert Goodwill have also been reappointed alongside Patrick McLoughlin, and are joined by new appointments Andrew Jones and Lord Ahmad. They replace John Hayes, who has moved to the Home Office, and Liberal Democrat peer Baroness Kramer.

Mr Jones is MP for Harrogate and Knaresborough and will be responsible for the Northern Powerhouse, including the Northern and TransPennine Express franchises; bus policy;

national roads and Highways England; local transport, including roads and the Local Sustainable Transport Fund; smart ticketing; city growth deals; the Office for Low Emission Vehicles; technology and innovation; freight and logistics; and road safety.

Lord Ahmad of Wimbledon will be responsible for aviation security, transport agencies, better regulation, skills and supply chain and London. He was a minister at the DCLG from 2014-15 and before that a government whip.



Andrew Jones (left) and Lord Ahmad (right) have replaced John Hayes and Baroness Kramer at the Department of Transport

## Details of devolution Bill published

The Government's programme, outlined in the Queen's Speech on 27 May, confirmed that city devolution will be a central issue for this parliament, with the publication of a Cities and Local Government Devolution Bill and a Buses Bill.

The devolution bill, which would apply in England only, would provide the legislative

framework necessary to implement the Greater Manchester deal and other future deals, both in "large cities which choose to have elected mayors and in other places".

It will "enable the Government to empower towns and counties, building on the programme of Growth Deals which the Government implemented in the last Parliament".

It will create powers to be applied by order to specified combined authorities. These will allow the creation of an elected mayor who would exercise specified functions and chair the authority. Current statutory limitations on functions in economic development, regeneration, and transport, and allow local authority governance to be streamlined as agreed by the constituent councils.

The bill would be the responsibility of the Department for Communities and Local Government.

The separate Buses Bill would allow combined authority areas with directly elected mayors to be responsible for the running of their local bus services, allowing cities "to promote an integrated transport system, supporting the growth and development of their areas".

## TfGM teams up with Highways England and Cubic

Highways England and Transport for Greater Manchester have signed a memorandum of understanding whereby the two bodies will work in partnership to agree priorities and develop a long-term vision for motorways and strategic roads in the region.

The memorandum was officially signed by Highways England chief executive Graham Dalton and his TfGM counterpart Jon Lamonte last month. The new joint document aims to support economic growth in the region over the next 20 years.

Mr Dalton said: "Greater Manchester is one of the biggest metropolitan areas in the country so it's vital that we work together to ensure it has a world-class road network to support the economy. Over £200m is already being invested on creating a smart motorway on a section on the

M60 and M62, and we need to make sure that the work taking place there complements other improvements on local roads."

Dr Lamonte said: "Having a clear, strategic approach to the management of highways across a city-region as

large and complex as Greater Manchester, and making sure it works in tandem with tram, train and bus services, is absolutely essential to keep it growing and moving."

The recently-formed successor to the Highways Agency,

Highways England is a government-owned company with a five-year budget of over £11bn to invest in England's motorways and A-roads.

In a separate move Cubic Transportation Systems has won the contract for TfGM's optimised public transport integration system, Optis.

This will contribute to two projects within TfGM's smarter travel package, travel information and network efficiency, of which the second entails integration with TfGM's advanced traffic management solution, AToM.

Cubic will act as system integrator and has established partnerships with specialists to meet TfGM's requirements. These are Cloud Amber for the management of static and real-time travel information, SilverRail for advanced journey planning and MXData for app development and user interface.

John Lamonte (left) and Graham Dalton sign the agreement





## Crossrail tunnels completed



David Cameron and Boris Johnson visit the site; tunnelling machine Victoria makes the breakthrough into Farringdon

**C**rossrail has reached a milestone with completion of 26 miles of tunnelling under London.

Work on the tunnels ended with the breakthrough of tunnelling machine Victoria at Farringdon on 26 May. Prime minister David Cameron and London mayor Boris Johnson celebrated the completion with a visit to the site 40m below ground last week.

Tunnelling began in May 2012, when the first of eight 1,000 tonne machines began work to construct the 6.2m diameter bores.

David Cameron said: "Crossrail is an incredible feat of engineering that will help to improve the lives of working people in London and beyond."

London mayor Boris Johnson added: "This is a landmark moment for London that puts us a gigantic step closer to the launch of an absolutely vital new railway, which will hugely improve our ability to move people across our city. It is a wonderful example of our nation's talent for engineering, a talent that I hope

will eventually be put to use on the construction of Crossrail 2."

Construction is advancing on ten new stations and on work above ground, west of Paddington and east of Stratford. The above ground sections are being managed by Network Rail. Over 10,000 people are currently working on the £14.8bn project.

When Crossrail opens in 2018, Farringdon will become one of the UK's busiest rail hubs with connections to London Underground and Thameslink. Crossrail will add 10% to the capacity of London's rail network. Services through central London are due to start in December 2018.

On 31 May TfL took over operation of rail services between Liverpool Street and Shenfield in the first phase of the introduction of Crossrail. These services will be integrated into Crossrail and with other TfL services when the project is complete.

The project is on time and on budget, and is over 65% complete. Work now begins on the equally demanding tasks of fitting out tunnels and stations and installing the signalling system.

## London aims for a million car club members by 2025

A new strategy to boost membership of car clubs in London as an alternative to direct car ownership has been launched.

A ten-point action plan, developed jointly by Transport for London, London Councils, the Greater London Authority, a number of car club operators and other stakeholders aims to push car clubs into the mainstream. The aim is to reach a target of a million members in London by 2025.

London already has 135,000 car club members, 85% of the

UK total. Growing membership will help to tackle congestion and environmental issues as the capital's population grows.

Aspects of the plan include working with the boroughs to promote car clubs as an option for residents and businesses, and improving access to information such as nearby parking bays through new technology and apps, and the TfL website.

More car club parking will be created, and the group aims to ensure that car club bays are used as efficiently as possible.

Use of low emission and electric cars in car clubs will be encouraged to increase the environmental benefits. Boroughs will be encouraged to use car clubs as an extension of their fleets. The Government will be asked to support car clubs through its procurement framework, and the benefits of car clubs will be promoted to commercial and business fleets to help reduce the burden of fleet management.

Car clubs have on-street parking bays in 27 of the 33 London boroughs. However,

low awareness of the schemes remains a barrier to growth.

TfL managing director of surface transport Leon Daniels said: "The use of car clubs in London has grown significantly in recent years and we continue to support the initiative across London as a way to help reduce congestion and encourage sustainable travel."

Research by the RAC Foundation has shown that the average city dweller's car is only used for 4.6 hours weekly – in other words, the car is parked for 97% of the time.

## West Anglia services transferred to London Overground

Transport for London took over responsibility for West Anglia suburban rail routes on 31 May, promising significant increases in standards of service.

Services previously operated by Abellio Greater Anglia between Liverpool Street station and Enfield Town, Cheshunt (via Seven Sisters) and Chingford, along with services between Romford and Upminster, became part of the London Overground network. Stopping services between Liverpool Street and Shenfield were also transferred and took on the interim brand TfL Rail in

preparation for their integration into Crossrail services in 2017.

Since TfL took over a number of under-used lines to form London Overground in 2007, delays have fallen by more than half and the number of people using the services has more than tripled.

Under TfL management, the newly transferred stations will be staffed at all times that services are running. The new routes will be integrated into TfL's real-time information and journey planning. The stations will be thoroughly cleaned and repaired over the coming months, with new benches, sign, gate

lines and ticket machines.

New trains will start to be introduced on the new London Overground routes in 2018. Until then, the current trains will be smartened up inside and out over the next 12 months. Trains on the Liverpool Street to Shenfield services will also be improved before the new Crossrail trains arrive.

TfL says that with its zonal fares instead of National Rail pay as you go fares applying, over 80% of current rail journeys will be cheaper.

London mayor Boris Johnson renewed his call for more services to be transferred to TfL in order

to create better integrated rail services across the capital. He said: "Since TfL took over under-used rail lines and created London Overground there have been massive improvements. Now, with London's population growing at a phenomenal rate, it is the perfect time for these new routes to pass to TfL so that they can be brought up to the same high standard.

"Beyond this addition to London's integrated transport network, I will be urging government colleagues to look at how the Southeastern services could operate when the franchise ends in 2018."

## Research shows that active cities 'are more productive'

Cities with more physically active populations are more economically competitive than rivals, with increased productivity, better school performance, higher property values and improved public health.

Investment to encourage walking and cycling provides a return of £13 for every £1 spent, or even more in the UK.

These are the findings of a new report from the Active Living research unit at the University of California, published to coincide with the Active Cities Summit, hosted by Sustrans, Bristol 2015 European Green Capital and Nike.

Researchers examined more than 500 existing studies from 17 countries to put together an overall picture of the effect of increased physical activity on a city.

Schemes to promote walking can boost trading in the local area by 40%, the research found.



The return on investment to boost walking and cycling in the UK is as high as £19 for each £1 invested. This is due to a variety of factors, including more trade for local shops, less traffic congestion and reduced pollution. More active employees take on average a week less off work a

year, and there are wide benefits for overall public health. In addition people look more favourably on living in an active city.

Sustrans health director Philip Insall said: "In an age when successful companies and talented workers have the freedom to locate absolutely anywhere on

the globe, cities can give themselves a competitive edge by making a healthy, active lifestyle easy to choose. Many cities are already seeing the benefits of physical activity and are making themselves desirable to live in."

Chad Spoon, a researcher at Active Living Research, said: "We hope this research will open the eyes of government leaders to the many important benefits of designing cities to support active living. A city's ability to compete depends on an active population. The research is clear on this – it shows how an active city can be a low-cost, high-return investment."

The report says city leaders can help in this process by providing more parks and open spaces; providing bike lanes and public bike schemes; and helping ensure children live closer to their schools.

The report can be downloaded at [www.designedtomove.org/resources/active-cities](http://www.designedtomove.org/resources/active-cities)

## Hitachi shows virtual reality HS2 train concept

**H**itachi Rail Europe displayed images of an interior design concept for a “very high speed” train for the UK at the recent Railtex exhibition. The design was based on extensive research and passen-

ger studies and, the company said, forms part of Hitachi Rail Europe’s vision for the future of high speed rail travel in the UK. Visitors to Railtex could explore a fully immersive virtual reality walk-through. Hitachi supplies the Japa-

nese Shinkansen train and built the Class 395 trains for High Speed 1 domestic services. It has developed the Class 800 Intercity Express train to replace the UK’s HST fleet, shortly to go into production at the company’s Newton

Aycliffe assembly plant. It is also supplying the AT200, due to go into service on Abellio’s ScotRail franchise in 2017. HS2 Ltd is planning to begin procurement of the fleet for the new high speed line early next year.



## Alan Stilwell receives lifetime contribution award

**A**lan Stilwell, who gained a reputation as a champion of integrated public transport and high speed rail at passenger transport executive Merseytravel, has had his achievements recognised with the presentation of a National Transport Award for Lifetime Contribution to Transport.

Mr Stilwell, who is in poor health, retired in December 2013 from his position as director of integrated transport at Merseytravel. His responsibilities included the development and implementation of the Local Transport Plan for Merseyside; development and management of rail and bus services; the integration of those services; and the development of transport infrastructure projects. He also led on the organisation’s input to a number of national transport



**Alan Stilwell with his award. He has become an industry role model**

initiatives including high speed rail and rail refranchising.

Prior to joining Merseytravel in 2005, he was county engineer at Cheshire and had worked for several English local author-

ities. He has wide experience of planning and implementing integrated transport strategies, major and minor highway and transport schemes, and the management of highways and transport operations. He was involved in the planning and design of highway schemes and improvements from new motorways to roundabouts and traffic signals, as well as the investigation of road traffic accidents and the application of accident reduction measures; traffic management; and the design and implementation of public transport infrastructure.

He was an active member of the ICE for many years. He is a past chairman of the ICE Transport Panel, on which he has served since 2000. He led the team that produced ICE’s State of the Nation report on Transport, and led the production of the

State of the Nation report on Defending Critical Infrastructure.

He became an ICE vice-president in November 2011, a role in which his statesman-like poise and skill for articulate public speaking, combined with his love for his work, made him an excellent ambassador and role model for the profession.

Prof David Begg, chair of the NTA judging panel and *Transport Times* publisher, said: “Alan’s efforts in championing high speed rail in particular while at Merseyside ITA along with his hard work in managing rail and bus services to develop a truly integrated service have been outstanding. He is held in very high regard by his former colleagues. His public speaking skills coupled with his enthusiasm for transport have made him a great ambassador and role model within the industry.”

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# Transport will unlock the potential of the North

Acceleration of HS2 phase two, alongside investment of £13bn in road and rail upgrades over the next five years, will take the brakes off the economy, says **Patrick McLoughlin**



It is a privilege to return to the Department of Transport as Secretary of State. Before I joined the department in 2012, we'd had seven Transport Secretaries in seven years. When you are in charge of long-term infrastructure projects, you need stability and continuity, so I was delighted when the prime minister asked me to stay on and deliver the ambitious transport plans that we've set out over the past five years.

My first speech after the election was in Leeds last week, where I talked about growth, infrastructure and HS2. The location and theme of the speech were significant, because they reflect the Government's main manifesto commitments – to expand and re-balance our economy, to close the prosperity gap between the north and south, and to modernise and strengthen our infrastructure.

Of course these issues are closely connected. Investing in our transport infrastructure is one of the most powerful ways to spur growth and improve people's lives. And with an unprecedented £70bn of capital investment over the next five years, transport will account for nearly three-quarters of the infrastructure budget.

Transport helped create the first northern powerhouse nearly 200 years ago, turning cities such as Leeds and Manchester into global industrial leaders. And

transport will also create the second Northern Powerhouse. Over this parliament, we will invest £13bn on northern transport, including major upgrades to the A1, M62, and M1, completion of the Northern Hub, and adding capacity for 44 million more rail passengers each year.

Our policies are already making a difference. Employment in the north is up by over 150,000 in just one year and unemployment has fallen by more than 20%. Per person, the north is growing faster than London.

As far as possible we want to give decision-making power to those with the greatest stake in the outcome – local people, businesses and their elected repre-

**The argument for the new railway has been won, and there's no longer any doubt about whether HS2 will be built**

sentatives. That's why we created Transport for the North – a body to match Transport for London – to create a single vision for transport, and allow northern towns and cities to pool their strengths.

The Chancellor has pointed out that within a 40-mile circle, the north has a catchment area that includes Leeds, Manchester and Sheffield, and which is home to ten million people. So we will work with Transport for the North to link up these centres, and unlock the massive economic potential of the region.

One of the ways we will do that is build HS2 – the full Y-shaped network linking London, Birmingham, Manchester and Leeds. The argument for the new railway has been won, and there's no longer any doubt about whether HS2 will be built. With cross-party support in the

House of Commons, construction of phase one will start in 2017.

HS2 will change the transport architecture of the North. But it will also change the economic architecture. Seven out of ten jobs created will be outside London, with the North and Midlands gaining at least double the benefits of the South. I'm determined to deliver those benefits as fast as possible. We will make an announcement on phase two in the autumn.

I want to see if we can bring HS2 to Crewe faster than planned, subject to further analysis and decisions on the preferred route. And we are looking at the case for speeding up construction of the Sheffield to Leeds section. HS2 will give us more room for local trains and rail freight, so we are considering ways to introduce faster regional services and improve commuter routes.

Meanwhile the first hybrid bill – carried over from the last session – was re-presented to Parliament at the end of May, and is making good progress.

I also want to restate our commitment to the new Northern Powerhouse high speed railway linking Liverpool in the west with Hull in the east. I've seen recent newspaper stories which claimed we are not fully committed to both the east-west line and HS2. They are wrong. The north needs excellent cross-Pennine links just as much as new north-south links, and we will work with TfN to deliver them.

The northern transport infrastructure is not nearly good enough today for a region with such incredible potential. But for the first time in generations, a UK government has the vision, the political will, and the funding to reshape transport across the North – and build a network which matches the best in Europe.

**Patrick McLoughlin is secretary of state for transport and Conservative MP for Derbyshire Dales**

Roads as well as rail will be upgraded



# Powerhouse is the key to greater productivity

The north of England is well placed to address the UK's poor performance, if it builds on strengths in manufacturing, technology, R&D and IT and avoids a drift into a service sector economy

If anybody believed the Northern Powerhouse was merely an election ploy, they were wrong. It forms a key part of the new Government's planned legislation and gets its own Treasury minister too. Potential siblings – eastern, Midland and western powerhouses – wait in the wings.

The question of public sector deficit reduction may have been the dominant economic theme in the election, but the Northern Powerhouse must address a different economic issue, one on which Britain scores very poorly: productivity. The national economy has shown no signs of improvement on this score since 2007, and the UK now trails Italy and France as well as Germany and the US by some distance.

It is difficult to understand why performance has been so poor on this critical measure. A relative over-reliance on the service sector (across much of which measurable productivity gains are hard to find) and a near-pathological reluctance to make long-term investments are two of the most likely reasons.

The Northern Powerhouse could address both. The North starts from a much better trading position with less service sector reliance: the North East (uniquely) even has a trade surplus (exports/imports), reflecting its strong manufacturing base. Expansion of the North's economy needs to maintain this better balance.

Fortunately, not all the knowledge-based growth areas are in services: many are in design, IT-based systems, and advanced manufacturing. This is where a particular effort is needed if the Northern Powerhouse is to help economic re-balancing and a return to productivity growth. It has to build on its distinctive edge.

The second necessary component is investment, and here transport has a big part to play. Transport for the North has an

expansive investment menu to support the Northern Powerhouse. A programme is set to emerge later this year through a process of prioritisation.

To meet the national need for higher productivity, priorities cannot be set simply by reference to cost-benefit analysis. GVA-based benefit measures are a possibility. But northern political imperatives generally lie with a relentless enthusiasm for more jobs. Easily missed is the point that the nature of the jobs matters as much as their quantity; new jobs will be no more sustainable than those lost in the North in past recessions if they are not based on high and improving levels of productivity.

**New jobs will be no more sustainable than those lost in past recessions if they are not based on improving levels of productivity**

In transport appraisal, a productivity target would appear in the Strategic Case – the innovative part of the five-case approach to appraisal adopted by the DfT (and other government departments) in 2010. This is where the narrative on investment needs and aims should be set out – as strongly endorsed in Tom Worsley and Peter Mackie's recent review for the RAC Foundation, *Transport Policy appraisal and Decision-Making*.

So what will the Northern Powerhouse look like, and what are the transport measures needed to support it? Location is one factor, agglomeration another. The recent choice of Birmingham as the HQ of HSBC's retail banking operation is a good business location example. The draw away from London will have been influenced by cost (markedly lower rents), and this will be a recurring factor for northern success.

But a lower price base has existed in the North for many years; on its own it hasn't been enough to stop the tendency to locate in the South East. Excellent longer distance accessibility can help too – but again may not be enough (Warrington has prospered, Doncaster hasn't).

The agglomeration benefits of larger cities suggest that the Northern Powerhouse should be built on expanding Manchester, Leeds and the other great cities of the North and improving connectivity between them. In European terms, northern connectivity is poor, limiting journey-to-work catchments and the available footprint for northern-based businesses. So transport has a key role to play within and between the city regions. But rather than think of this in terms of service sector office-office connections, the North needs to create a new economic vision, centred on universities, R&D investment and a mix of technical, IT and creative industries.

If this sounds over-ambitious and risky, consider the plausibility of the alternatives. London's draw is massive. It has the Government and all its departments, the banks, multiple business HQs, the leading international airport, high-speed rail links to Europe, the majority of international tourists, the majority of the cultural attractions, an incomparable retail offer... and more. A business relationship with any of these parts of the economy leads to location choices in London (or with very good connections to it).

Better productivity justifies targeting investment in a distinctive northern economy with faster, more reliable connections for its cities and airports; in freight, logistics and ports. A pale offshoot of London would be a poor outcome.

**Jim Steer is director and founder of Steer Davies Gleave.**



# Will devolution make a difference to passengers?

The public has little interest in who runs buses provided the service is reliable and good value. Does that mean proposals to devolve responsibility to combined authorities is irrelevant?



Passengers expect operators and local authorities to work together, as exemplified in Brighton and Hove

**D**o passengers really care who runs or makes decisions about their bus services?

We know that bus passengers, like most other public transport-users, care a lot about how their service is operated, but not who runs or owns it. What they want is a punctual, reliable service that offers value for money.

The Transport Focus Bus Passenger Survey, published in March this year, found that overall around nine in ten were satisfied with the service (88% in the English areas covered and 92% in the Scottish ones). We spoke to more than 47,000 pas-

sengers in 38 areas in England and four areas in Scotland.

The Buses Bill, as revealed in the Queen's Speech two weeks ago, paves the way for significant changes. It will provide an option for combined authorities with directly-elected mayors to be responsible for the running of local bus services, including the possibility of franchising.

In recent years the debate about how local transport authorities can arrest the decline in bus patronage has intensified. In some areas of the country bus operators and transport authorities already work well together in partnership. However, there can

port executives exercise some form of control. They generally trust those bodies to look after their interests as a passenger.

Passengers are less trusting of local bus operators, believing that the local authority should have a greater say in services. However, localbus user groups and representatives sometimes felt that operators should retain commercial freedom to generate better services for passengers.

There is also a clear desire for passengers' views to be given more weight in any decisions about local service provision, a view echoed by local bus passenger representatives.

Passengers expected operators and local authorities to work together. They were less interested in the precise model of doing so, although they were very clear that any agreements needed to be backed up by penalties should performance not meet passengers' expectations.

There are some good examples of bus operators and local authorities really engaging with their passengers. Continuous dialogue, which information captured through smart ticketing makes easier, should help more difficult conversations when changes are in the offing and consultation needs to take place. Such good examples need to become more widespread if trust is to be built up with all bus passengers.

Transport Focus is about to start work on some research into bus passenger priorities for improvement, and passengers' relationship with the industry – trust, in other words.

We need to properly understand what the current experience on buses is, how people feel about the companies they use and how they would like to improve the experience of using buses.

**Bus users often assume that local transport authorities and passenger transport executives exercise some form of control**

be tension between the aims of local politicians and commercial bus operators, who sometimes have very different ideas about local bus service provision.

A franchising option, through a quality contract arrangement, would enable the authority to set fare levels and ticketing deals and to decide where and when buses run locally.

We carried out some research with passengers to find out what they knew about the structure of their local bus service and network and what they thought would serve them best – effective local partnerships or franchise-style provision.

Our report, *Giving Passengers A Voice In Bus Services*, available on the Transport Focus website, found that passengers know very little about the way bus services are determined for them. They often assume that local transport authorities and passenger trans-



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# Challenges ahead for McLoughlin

The returning Transport Secretary  
will have plenty to keep him  
busy in the coming months



**P**atrick McLoughlin's reappointment as Transport Secretary has been welcomed as providing much-needed continuity for the industry.

This continuity was confirmed when he used his first speech after being reappointed to reaffirm the Government's commitment to its investment programme, including rail, road and High Speed 2.

But Mr McLoughlin will be only too well aware that a number of major tasks and thorny challenges await him as he gets back to business at the DfT's Great Minster House HQ.

One of the earliest, and thorniest, will be aviation. Referring the question of runway capacity to Sir Howard Davies's Airports Commission bought time and avoided a coal-

ition split between the Conservatives and Liberal Democrats, but with the commission's final report imminent the issue will have to be faced.

other west London MPs opposing expansion. Labour will also be split. A possible way forward has been suggested by former Transport Secretary Lord Adonis: the Government could back expansion but allow MPs a free vote. Dissenting Tory MPs would be allowed to vote against the proposal, but, Lord Adonis believes, a cross-party majority in favour of expansion probably exists or could be assembled.

Meanwhile, a source of controversy in the last parliament, High Speed 2, appears to have subsided. Anti-HS2 candidates in constituencies along the route failed to make headway in the election, clearing the way for HS2 Ltd to press ahead with the major process of procuring and awarding construction contracts.



tion split between the Conservatives and Liberal Democrats, but with the commission's final report imminent the issue will have to be faced.

Whichever of the shortlisted options is recommended – a second runway at Gatwick versus a third at Heathrow or the Heathrow Hub proposal to double the length of one of the existing runways – a storm of protest is likely to follow.

David Cameron could delay a decision by undertaking a further round of consultation on Sir Howard Davies's recommendations, or he could seek to capitalise on the momentum of his election win to try to push through an early decision. But he will get an early reminder of the slenderness of his parliamentary majority: the Conservative vote will be split, with Boris Johnson and

On the basis of the election result, which he said was "a massive vote of confidence" in the project, Mr McLoughlin declared: "The argument has been won." He added: "HS2 will be built, the full Y-network, from London to Birmingham and Birmingham to Manchester and Leeds, with construction starting in just two years."

He also confirmed that legislation would be brought forward to accelerate construction to Crewe, currently part of phase two of the project, so that cities in the north gain the benefits of high speed rail sooner than otherwise.

An announcement on "the way forward for phase two", from Birmingham to Leeds and Manchester, is promised for autumn. A decision on safeguarding a preferred route to

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By Jon Lamonte

## Cities need devolution and connectivity

**W**hen George Osborne recently outlined his exciting plans for the Cities Devolution Bill – with greater powers over transport, health and welfare – he opened the door for English cities to realise their potential as modern, vibrant and prosperous economic powerhouses.

The media focus on Greater Manchester as the flagship city for the chancellor's announcement is understandable and the city-region now has the opportunity to develop a robust and integrated transport network that will give residents and businesses the infrastructure services they need to flourish.

But what about those other cities represented by PTEG? For me, in my role as chair of the transport body that supports the six largest city regions outside London, it's an opportunity for our major urban areas to thrive in their own unique way.

This isn't necessarily about using Greater Manchester as a model for other regions to copy, but about establishing a positive precedent which supports progress in whatever framework cities such as Newcastle, Leeds, Sheffield, Birmingham and Liverpool choose to adopt.

In all areas, I expect to see a fresh approach to the role of bus travel from the Government, with better recognition of the cross-sector benefits of supporting bus services underpinned by a new devolved connectivity fund. This will allow local transport authorities to have bus networks that work for their economies.

The perennial challenges need to be addressed, though. A greater funding commitment to long-term planning needs to be made, while the mismatch between available revenue and capital needs to be addressed. Similarly, a greater recognition in Whitehall of the cross-sector benefits that investment in local transport brings is essential to devolved powers succeeding.

It is only with a sustained commitment that PTEG members can plan for the future in a more coordinated, strategic way. However, only through radically improved multi-modal connections between city regions as well as within them can the transport sector fully support the economic growth ambitions of our city regions.

Our cities are individually strong, and through devolution will increasingly have the right tools to encourage prosperity. But it is better links between the cities that will create a more productive economy, collectively much more successful than the sum of its parts. The programmes being driven forward within Transport for the North, for example, go a long way to addressing this for northern city regions; it will be essential to maintain the momentum, on HS2, Transport for the North and Midlands Connect.

The initial messages on devolved transport powers and the Northern Powerhouse have been encouraging. My colleagues in PTEG and across the country will use these opportunities to transform the lives and communities of millions of people nationwide.

**Jon Lamonte is chair of PTEG and chief executive of Transport for Greater Manchester**



## Don't neglect local roads

By Steve Gooding

**P**atrick McLoughlin is going to have some very big and pressing decisions to make on issues such as airport capacity and HS2. The RAC Foundation's first challenge for him is to remember the importance of the road network for the economic success of the country. Focusing on roads, there are four headline issues that stand out.

The foundation welcomed the creation of the Road Investment Strategy and Highways England in the last parliament. The challenge for this parliament is to hold fast to the five-year commitment made to the significantly enhanced investment programme on our national strategic road network.

The creation of a long-term programme for the national roads raises a significant question about the vast majority of the network which is managed by local government. The condition of the local road network came out top of voters' transport priorities in a poll before the election. So what's the solution, when local authority budgets look to be under still greater pressure? Could we hope to see a similar, long-term funding commitment to the health of the wider road network?

The road safety debate needs to focus urgently on the vastly disproportionate number of young drivers involved in serious, all too often fatal, crashes. The foundation's research has highlighted both the scale of the issue and some potential solutions. We, and others, would welcome the opportunity to engage with the Government.

The freeze in fuel duty since March 2011 has been good news, but the cost of motor-ing is still a major concern for many people. Petrol and diesel now 8p or 9p more per litre than at the start of the year.

I will be one of the 37 million drivers anxiously waiting to hear what the Chancellor has to say about this in his emergency budget on 8 July.

Steve Gooding is director of the RAC Foundation



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Crewe and a mini hybrid bill and environmental statement are also expected.

HS2's first appointment is likely to be a delivery partner to project manage the scheme, for which Bechtel is the favourite. Tenders for £10bn of main contracts, including civil engineering and construction as well as signalling and other railway systems, are due to go out in the autumn. A tender for enabling work, due to start in 2017, a year before major tunnelling and construction work, is also due to go out later this year. Early in 2016 a start will be made on the procurement of rolling stock. Train companies can be expected to start revealing concepts or early designs of what they can offer, as Hitachi did at the recent Railtex show, where it exhibited designs for a high-speed train for the UK. It was noted that two major Chinese rolling stock manufacturers also had a significant presence at the show.

Meanwhile, the committee studying the hybrid bill for phase one has reached around the halfway point for the route, having started from the Birmingham end, and the bill is currently said to be on track to receive Royal Assent by the end of next year. The Commons committee is expected to finish its scrutiny by next January or February, after which the bill goes to the Lords. Final proposals for Euston, where the line will terminate, are still awaited but are also expected in autumn.

Mr McLoughlin's remarks that the election result was "a clear mandate" in which the electorate had "voted for £70bn of capital investment in transport that we will deliver over the next five years" suggest that the Government's

five-year investment programmes in road and rail remain secure. However the Transport Secretary will need to keep an eye on the escalating costs of Network Rail's electrification projects.

Following the meltdown of rail franchising in the first weeks of Mr McLoughlin's tenure, the system now seems to be working again, with a clear timetable for renewals extending to the end of this parliament.

The Government has also pledged to end above-inflation fare increases. The Campaign for Better Transport has called for a system in which the passenger is guaranteed always to pay the lowest fare, and for progress on season tickets for part-time workers. Both these would imply an extension of smart ticketing, and in the last parliament Liberal Democrat minister Baroness Kramer had brought the industry together to make considerable progress towards its wider introduction. A challenge for new minister Andrew Jones, who has inherited this part of the portfolio, will be to keep up the momentum.

Devolution of powers to England's conurbations will have big transport implications. Mr Jones, MP for Harrogate and Knaresborough, is also minister for transport matters relating to the "Northern Powerhouse", including the Northern and TransPennine Express franchises.

A City Devolution Bill was included in the Queen's Speech, and the main cities will be watching the progress of devolution in Greater Manchester closely and developing ideas of their own. Complementing the devolution bill is a Buses Bill, which will give

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**We need to see an end to year-on-year cuts in bus funding**

## McLoughlin's reappointment promises stability for transport

**W**hen, at the *Transport Times* Great Transport Debate earlier this year, Patrick McLoughlin said he hoped to return as Transport Secretary after the general election, few thought it likely.

Even if the Conservatives were returned to power, it looked a safe bet that he would be moved in the obligatory reshuffle.

But, confounding conventional wisdom, Mr McLoughlin is indeed back, a decision widely welcomed given that the DfT had had seven secretaries of state in the previous seven years.

On 1 June, he celebrated 1,000 days in the post, making him the seventh longest-serving transport secretary since the 1950s.

Mr McLoughlin underwent something of a baptism of fire when, within a few weeks of taking office, flaws in the West Coast Main Line franchise competition came to light after First had been named as preferred bidder. He acted decisively, cancelling the competition, putting in place two inquires and taking steps to extend the contract of the incumbent operator, Virgin Trains.

Since then he has reorganised the department to make it clear where responsibility for franchising lies, and replaced lost expertise in the department, under a new director of franchising, Peter Wilkinson.

A new timetable for franchise competitions has been set up, existing contracts have been extended where necessary, and stability has been restored.

Mr McLoughlin has an enthusiasm for the transport brief, perhaps because, as he often mentions, he began his ministerial career in 1989 at transport under then Transport Secretary Cecil Parkinson. He is fond of recalling his surprise to find shipping among his responsibilities, despite representing a constituency,

Derbyshire Dales, which is about as far from the sea as is possible.

He has proved a safe pair of hands at the department, working effectively with colleagues both from his own party and Liberal Democrats Norman Baker and Susan Kramer.

He has made the case for HS2 with enthusiasm, and steered the hybrid bill for the project successfully through its second reading debate in the House of Commons.

He presided over what many would argue was the long-overdue reform of highways, creating an arm's length company Highways England with a five-year investment plan, intended to give the industry more certainty over funding and, by allowing sensible planning, to help the DfT to get better value for money from highways spending.

Despite reports of reservations within the DfT over George Osborne's plan to give powers to regulate bus services and fares to Greater Manchester as part of its proposed devolution package, Mr McLoughlin himself seems relaxed about this and has spoken of an ultimate "mosaic" of different regimes in different places as appropriate.

In less than three months Patrick McLoughlin will overtake Brian Mawhinney (1992-95) to become the sixth longest serving transport secretary of recent times. He follows John Peyton in the 1970s (who for most of his tenure was minister for transport industries within the Department of the Environment, which subsumed Transport for a time), Harold Watkinson (1995-59), Alistair Darling (2002-06) and John Prescott (1997-2001). It is perhaps somewhat premature to speculate about the possibility of him overhauling Ernest Marples, who served for five years from 1959; but the return of a Transport Secretary who is knowledgeable about and comfortable with the brief is no bad thing.

City devolution could be the biggest shift in power since World War II



### A major shift in power

By Nick Evans

**T**he publication of the Cities and Local Government Devolution Bill following the Queen's Speech means that the Northern Powerhouse has moved a significant step forward.

The creation of the "powerhouse" has been seen as personal crusade by the Chancellor, George Osborne, but its starring role in the Conservative party manifesto, and then the Queen's Speech, means it is now at the heart of the Government's agenda.

The initiative has captured the imagination of many cities, not just Greater Manchester, but the publication of the bill will give everyone greater confidence that the Government means business. The approach is non-prescriptive – each combined authority, not individual cities, need to come up with plans that suit their area. The Government is not imposing a fixed plan other than the need to have an elected mayor.

It could be suggested that the plans should go further but in transport in particular, and also potentially skills, health and other policy areas, the bill marks a real shift in power.

The bill is light on detail and is instead more "enabling" – it allows the Government and combined authorities to do deals. There will also be a Buses Bill, but aside from giving cities responsibility for running their own local services there is little indication of content or timing. It is clear that the Department for Transport, the Treasury and the cities themselves still have work to do here.

Although the publication of the bill potentially shifts the emphasis from Westminster and Whitehall, it still ultimately leaves decisions about who gets what in the hands of ministers. Nevertheless, this has the potential to be the biggest shift in power since the World War II. Cities must be bold in putting plans to the Government, but the Government must be bold in response.

Nick Evans is a partner at Bircham Dyson Bell

Longest-serving Transport Secretaries (or Minister of Transport up to 1970) since 1950

Name (Party)	Period	Days
Patrick McLoughlin (C)	2012- present	1000+ days
Brian Mawhinney (C)	1992-1995	1080 days
John Peyton (Lab)	1970-74	1350 days (1328 as minister for transport industries within the DoE)
Harold Watkinson (C)	1955-59	1394 days
Alistair Darling (Lab)	2002-2006	1437 days
John Prescott (Lab)	1997-2001	1498 days
Ernest Marples (C)	1959-64	1829 days



By Stephen Joseph

## The challenge of sustainability

**T**he Transport Secretary faces a range of challenges to get this country moving and craft a transport system which is sustainable, efficient and fair. Patrick McLoughlin must make the right decisions on the important issues of rail fares, rail franchising, buses and roads which all have a strong impact on people's everyday lives.

Investment in the rail network must continue without the financial burden of funding being solely placed on hard-pressed rail users. After ten years of inflation-busting rail fare rises, the promise to halt above-inflation fare increases is a step in the right direction but much more needs to be done.

This Government must ensure passengers are always sold the cheapest ticket available, and stick to its promise of introducing flexible ticketing for part-time workers.

Local authorities should be given greater control over rail services in their areas, especially over failing suburban rail services, and the programme of rail re-openings must grow.

The Government needs to do more to save essential bus services which are being lost all over the country and which are good value for money. Since 2010 more than 2,000 routes have been reduced or cut entirely, severely hampering many people's ability to get around, particularly in isolated areas.

We need to see an end to year-on-year cuts in bus funding and greater devolution of control over buses in urban areas.

The Government should also build on the recently announced "total transport" pilot projects to bring services together at local level.

With funding tight, the Government needs to reconsider its roads priorities. Under existing plans, huge sums are to be spent on big new road projects which will increase traffic and pollution, while there is a £12bn backlog in maintenance of local roads. The government should sort out local roads, give people real travel choices and review the big road projects. Road projects threatening important sites such as Stonehenge and our national parks should be reassessed and alternatives properly considered.

On freight, HGVs cost taxpayers £6.5bn a year in pollution, congestion and road maintenance, and this subsidy makes it difficult for rail freight to compete. Roads will be safer and the air cleaner if more freight goes by rail and water.

Regarding aviation, people should be encouraged out of planes and on to trains for domestic travel. Increasing airport capacity is incompatible with a sustainable transport system and cutting air pollution.

The Government must hold to its commitment to double the number of journeys taken by bike, as cycling has shown to have real benefits for physical and mental wellbeing as well as reducing absenteeism costs for employers and costs to the NHS.

**Stephen Joseph is chief executive of the Campaign for Better Transport**



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combined authorities with an elected mayor the ability to take control of bus services in their areas. Authorities taking advantage of devolution will also be seeking a greater influence over rail services, a process already under way in the north of England with the Northern and TransPennine Express franchise renewals.

The issue of who controls bus services has been hotly debated ever since de-regulation; previous legislation in two Transport Acts to allow local authorities to introduce franchising or quality contracts has so far proved too complicated to be of practical use, though Nexus is currently working through the process. The Government's proposals are not welcomed by the bus operators; a Conservative chancellor backing a form of regulation was an unexpected move, and the measures have potential to be one of the most controversial transport issues of the next Parliament.

The other big issue affecting buses, as pointed out by CBT, is the loss of essential services through local authority budget cuts. "The Government needs to do more to save essential bus ser-

vices which are being lost all over the country and which are good value for money," the organisation says. "Since 2010 more than 2,000 routes have been reduced or cut entirely," it points out. It calls for "an end to year-on-year cuts in bus funding and greater devolution of control over buses in urban areas".

On roads, the RAC Foundation has called on the government to hold to its commitment to invest in the road network, which again Mr McLoughlin's speech appeared to do. It is not currently clear, however, where the money for all the DfT's infrastructure plans will come from, and the Government is likely to seek to attract private sources of finance. With yields on bonds low or negative, investment in transport infrastructure, providing a modest but reliable return over many years, is likely to prove popular with investors such as pension funds.

Local roads, along with local funds generally, are a different story. The RAC Foundation has emphasised that this part of the network is just as important, and much more extensive, than the trunk road network, and floated the idea of a long-term investment fund for local roads too.



unitary and metropolitan councils, London boroughs and Welsh councils, Cllr David Sparks, chairman of the Local Government Association, said: "Local authorities have made £20bn savings since 2010 following reductions in government funding of 40%. Councils have worked hard to shield residents from the impact. However, efficiencies cannot be remade or buildings resold. Further local government funding reductions over the next five years are not an option. The new government must consider the consequences that further cuts, without radical reform of the way public money is spent, will have on the services that bind our communities and protect the most vulnerable."

He added that vital services "such as collecting bins, filling potholes and caring for the elderly", would struggle to continue at current levels. If public services were to survive, councils need fairer funding and greater freedom. "We need a new settlement for England that devolves decisions about infrastructure, transport, housing, skills and health and social care to local areas so they can tackle the big issues facing residents." Devolution, it seems, will be a dominant theme of the new parliament.

Meanwhile, the funding picture should become clearer in just over three weeks' time, when chancellor George Osborne reveals his second Budget of the year.

This leads to perhaps the biggest challenge of all. The Government went into the election promising £30bn of cuts in its efforts to eliminate the structural deficit. During the campaign it added a number of unfunded promises, including an additional £8bn annually for the NHS. With spending on health, education and international development protected, the Institute for Fiscal Studies calculates that this implies, for unprotected departments such as transport, spending reductions of as much as 15%.

In 2014 the DfT's budget was £15bn, made up of £8.6bn in capital spending and £6.4bn in current expenditure. If all the cuts were to be sought from current spending to protect the capital programme, a figure of over a third of the current spending budget would be required – though there could be scope to make savings from the capital budget by delaying, rather than cancelling, some elements to spread the cost over a longer period. Whatever route is taken these are not trivial sums, and the concern is they would again fall disproportionately on local transport budgets.

In a letter to *The Observer* newspaper on behalf of all 375 county, district,



## Stability for investors

by Gianluca Favaloro

**T**he election of a majority government will bring some stability to infrastructure investment in the UK for all transport modes over the next five years.

With rail, work is set to start on High Speed 2, development of a High Speed 3 Leeds to Manchester link will continue, and we will see investment in 850 miles of railway electrification. Transport operators will avoid another review of the rail franchising model and it is highly unlikely that we will see the introduction of a public sector operator. The franchising timetable is therefore set to continue at pace.

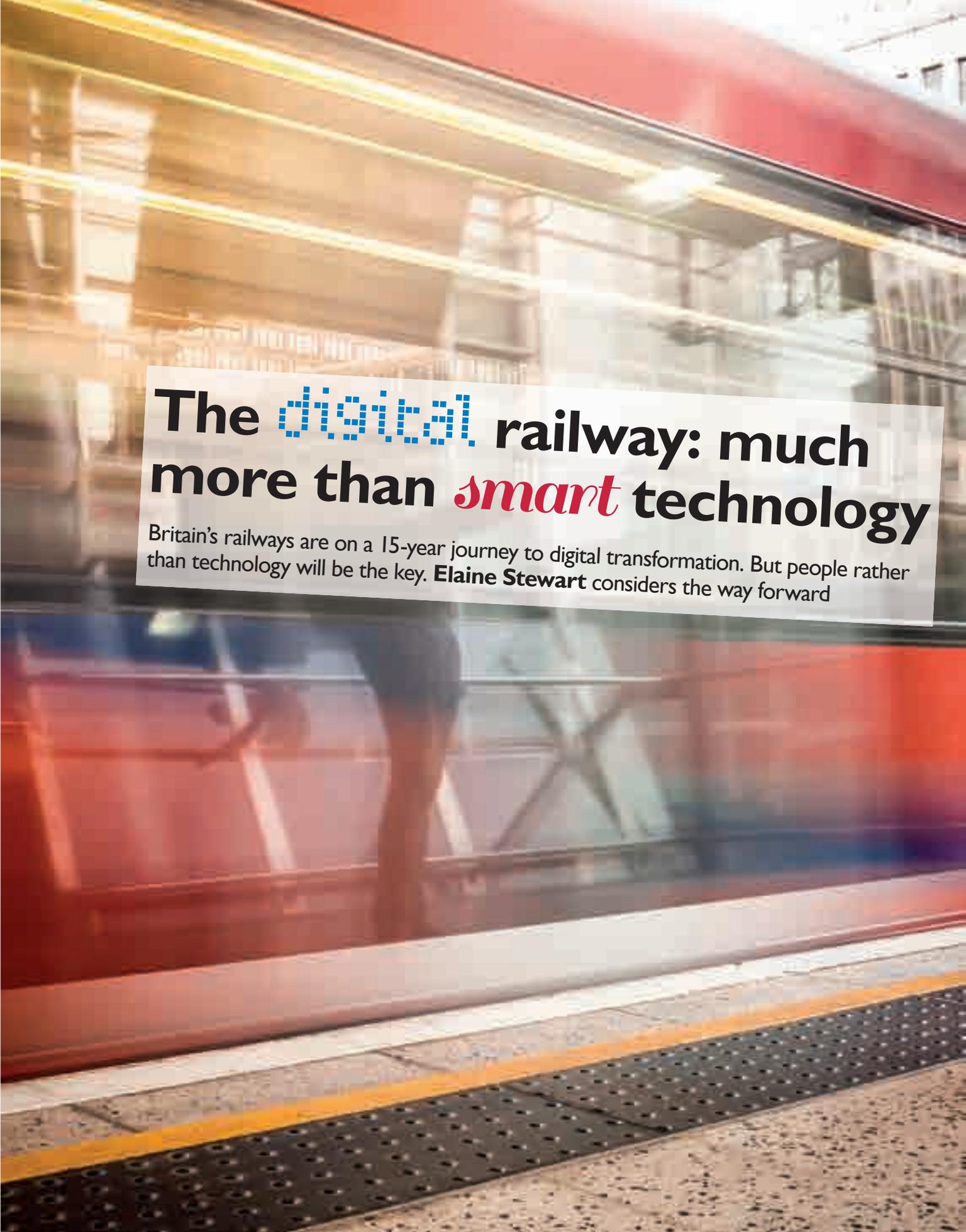
The devolution agenda could lead to some of Network Rail's already heavily regionalised budgets being overseen by elected mayors, whose powers could include running parts of the transport network. The Buses Bill, included in the Queen's Speech, will allow directly elected mayors to run bus franchising, a model already being considered in Manchester.

The biggest programme of investment in roads since the 1970s will put great responsibility on Highways England, which will oversee over £15bn of investment in major roads between now and 2020.

Finally, the Airports Commission's conclusion on its assessment for additional capacity at Gatwick and Heathrow airports is expected shortly. The cost of the expansion ranges from £9.3bn at Gatwick to £13.5bn-18.6bn at Heathrow.

The Government's ambitious agenda will require significant capital to finance the development of infrastructure at a time of continued austerity. Capital is available from equity and debt infrastructure funds seeking stable returns at a time when bonds are trading at negative rates. A new majority government, with a strong mandate, should bring a perception of stability and encourage investment to improve connectivity, and therefore productivity.

**Gianluca Favaloro is director of EY's Transport Infrastructure team**



# The *digital* railway: much more than *smart* technology

Britain's railways are on a 15-year journey to digital transformation. But people rather than technology will be the key. **Elaine Stewart** considers the way forward



**T**here are aims to accelerate modernisation of the railway. Network Rail chief executive Mark Carne, Network Rail's Chief Executive wants to eliminate every trackside signal within 15 years. We know from our personal lives and use of our smartphones how fast technology is changing to make life simpler and better. What will the digital railway really mean, and how sure can we be that it's achievable?

Defining the digital railway is challenging because there is no single definition of what digital means. Digital includes:

- Connectivity, including internet, mobile data communications, wi-fi or fast fibre networks
- Devices: consumer smartphones, computers and industrial-grade controllers
- Information, about people, travel patterns, transport services, operations and payments
- Applications, whether they are apps on our phones or secure industrial processes.

Technology invention is accelerating at a pace but it will not be technology that makes or breaks the digital railway. People are the key.

The digital railway means bringing together all the key stakeholders including citizens, the Government, owners and operators, Network Rail and the whole supply chain that makes the railway run effectively.

By effective, we mean:

- Providing the users of the railway the information they need to make better journey decisions, and the services they need to make taking journeys flexible and convenient.
- Enabling passenger and freight operators to be more flexible in how they provide their services as the economy changes, catering for changes in travel patterns and freight movements.
- Enabling the infrastructure operator to cope with increased demand by making more effective use of the infrastructure that's available today, rather than having to build more tracks.

Worldline believes the key topics to be addressed include:

### *Capacity, reliability and safety*

Benefits of up to 40% additional capacity made possible through safe, smart systems that can run more trains closer together, and new electronic signalling infrastructure that will reduce delay minutes by up to 35%.

### *Customer experience*

Getting retail information and travel information into the hands of passengers who are mostly all now connected via phones and smartphones and have growing expectations.

### *Empowered front line staff*

Flexible staff, trained in multiple roles, placed where they are most needed with the right information to do the right work in the right place at the right time, with a better safety profile.

### *New ways of getting funding and contracting*

The industry needs to work together to succeed and requires shared investment for shared rewards. New flexible procurement models are required which encourage those that buy into the vision to get it done – for example, offsetting investment in new technology by identifying new funding streams it makes possible and which enable it to pay for itself.

### *Industry working together*

This is the most important success factor. All parties need to park vested interests and focus on the right outcome, sharing from the benefit of increased passenger and freight movement.

Using digital technology will improve the customer's travel experience through faster and more accurate information, easier and more flexible access to tickets, and better service on the train. It will mean less crowding through intelligent traffic flow, more seats in peak hours and faster recovery from faults when they occur.

There are endless possibilities for operators, station retailers, telecom providers, and smart cities to capture the hearts and minds of travellers by providing joined up services that inspire them, and make their lives easier, safer and more reliable. A passenger will be able to turn up and just go in a similar way to the metro today. Services will be much more responsive, with dynamic timetables altered to best match available supply to demand.

Digital technology means realising the potential for significantly improved cost effectiveness, efficiency, and reliability. And it means embracing innovation that could dramatically change the industry's reputation with passengers and staff, and open new opportunities for multi-modal travel.

Worldline is optimistic that digital transformation is achiev-

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Digital solutions will integrate services for customers as well as sensing demand and measuring performance

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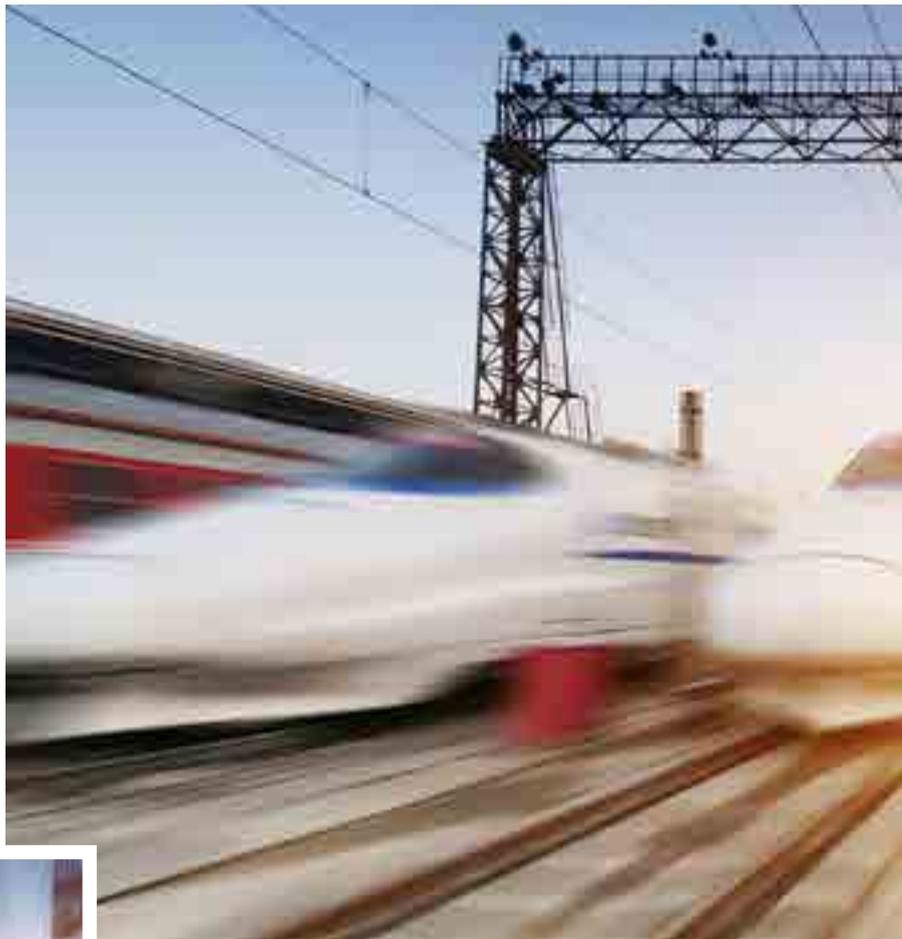
able and critical to the rail industry's survival. There are three key conditions that must be met in order to ensure success:

- Much closer alignment between stakeholders with a "one team" mentality
- Innovative funding and commercial mechanisms
- Openness to new ideas and insights from all over the world

Worldline deliberately makes no mention of technology as a condition for success. Technology is not the issue: digital solutions are available, and can be developed, to fuel and shape the journey to transformation. The real challenge is people, and how they work together.

### Why do we need digital transformation?

Most obviously, rail travel demand at peak times is constantly growing and is a key factor in economic growth. According to rail industry market studies, passenger kilometres travelled



Short-term competitive behaviour encouraged by traditional procurement models will not achieve long-term shared goals

have increased by 50% since 2004, and will grow by another 50% by the mid-2030s, with freight set to do the same.

Managing that demand is a major challenge. With complex and ageing rail infrastructure, building 50% additional line capacity is not an option, since infrastructure developments on this scale carry eye-watering costs and significant potential to disrupt existing operations. The estimated cost of Crossrail 2 is currently £27.5bn and expected to rise further; there is tension between business and residential communities, passengers and taxpayers over who should contribute to the cost and the value for money this will represent to each group.

The real impact of current capacity constraints is on passengers. The industry's own overcrowding limit is theoretically 2.4 people/m<sup>2</sup>, but at peak times on many lines today the reality is 4 people/m<sup>2</sup>. This is the

difference between standing comfortably next to a fellow passenger reading a newspaper or using a smartphone, and intense discomfort with no ability to move.

The autumn 2014 National Rail Passenger Survey, conducted by Transport Focus, found that only 47% of 30,000 passengers questioned were satisfied with seat availability on their trains, and only

38% approved how train companies dealt with delays. In today's connected world, where customer experience is vital for business survival, our railways are failing to delight passengers.

Amid these challenges, there is a funding issue. Although operating companies invest heavily in winning franchises, 29% of total railway income still comes from the Government, so the industry has limited control of its destiny, and faces the uncertainty of changing national agendas and budget plans.

### Digital difference

So how can a digital railway make a difference?

We know from rail industries worldwide, and from the aviation industry, that digital can transform capacity, customer experience and operational efficiency, and generate cost savings and new revenue for Britain's rail industry.

Digital must also challenge one of the biggest inhibitors of operational performance and capacity management: the network's old-fashioned signalling system. Network Rail chief executive Mark Carne has pushed for acceleration to eliminate every trackside signal and move to in-cab computer display control within 15 years to reduce maintenance costs, improve performance, and enhance safety.

Among other digital innovations, Network Rail is using aerial surveillance to collect and map data to improve track maintenance and boost field workers' efficiency. This is enabling timely and cost effective interventions across the entire asset base without human inspection or trackside intervention.

Digital solutions also deliver a joined-up customer experience: online paperless ticketing, car park pre-booking, and reliable on-train wi-fi services. Hotel, restaurant, and downstream travel reservations can be linked via digitally savvy travel organisers like Halo and Uber – all from a smartphone, tablet, or wearable device.

Internet and social media will play a pivotal governance role in delivering great customer experience. Train companies will increasingly worry about how easily every service – ticket pricing, toilet cleanliness, catering – can be critiqued online immediately.



### Working together

The digital railway is an exciting vision, but how does the culturally diverse collection of rail public authorities and commercial providers align to enable enduring change to happen? The brutal truth is that vested interests and competitiveness threaten to stall and jeopardise this initiative.

Short-term competitive behaviour will not achieve long-term shared goals, behaviour that is encouraged by today's traditional procurement models. A new approach should shift industry focus from engineering to people. World class technology and engineering is a given in a modern railway industry. It is passengers, consumers and employees of the industry that will make or break the digital railway.

This new approach must reach a wider supply chain, enabling opportunities through broad consortia working together more closely. Systemic barriers to rail transformation can only be overcome if organisations talk relentlessly, agree on what can be gained, air their insights openly, and commit themselves to shared objectives.

Who can own customer experience without collaboration? Great service from an online ticketing channel will mean nothing if the station experience is substandard. Reducing delays and improving train frequency will count for little if on-board travel is

a let-down. This is especially true in a future where passengers move across transport modes much more.

Managing the impact of digital disruption on train crew and operating staff requires clear and consistent industry decisions across collaborating organisations. Sharing business intelligence and insight from collected data will bring significant dividends to multiple stakeholders. Preventive maintenance will offer major savings to operating and freight companies.

Cooperation does work in the largest, most complex, and business critical operating environments. For each Olympic Games, multiple national and global stakeholders often work without contractual relationships, but to the same objectives, in the same timeframes. None have failed to date.

### Innovation in business models

Who will pay for transformation? Despite a huge government financial and political stake in its success, the burden and opportunities for digital investment will fall mainly on the private sector. Therefore, a new commercial model is needed.

Investment is crucial for the digital railway, and must deliver decent rates of return that show tangible benefits and encourage continued growth. Innovation is needed. More needs to be done with less, but the opportunity for commercial success

is there if the infrastructure costs and resulting benefits are shared.

As digital capabilities open up, new niche market opportunities and service slots will be created. Operators need to develop their retailer capabilities, extracting more value from growing volumes of data to manage supply chains better, and offer greater personalised customer service. The current franchise model inhibits a fully open market for all operators on all routes.

The industry needs a different management approach to decision-making, and it must recognise the importance of investing early in the design cycle, experimenting, ensuring that measurement is not simply at the end, and failures are detected early.

### Lessons everywhere

For transformation to be achieved, we need to get a sense of the future, wherever in the world we can glimpse it: China, for example. When the UK was completing its first stretch of high-speed rail in 2007, China had barely left the station. Nearly a decade on, Britain still has only that same 68-mile stretch of track, but China has built itself the most extensive high-speed network in the world. Look at Tokyo's amazingly effective route guidance system, helping passengers to navigate the notorious Shibuya terminus station with the most up to date beacon technology. Global airlines are adopting faster security and ticketing options such as retina identification e-tickets coupled with contactless payments.

Outside the transport sector, new business models based on digital solutions are delivering value: payment methods created by Amazon, eBay, property exchange leader Airbnb, taxi aggregator Uber, and China's top online retailer Alibaba – all owning no assets, yet leading invention of entire industries.

### Embrace the future

Worldline encourages the industry to join forces to make this vision happen. The opportunities it represents for every stakeholder are clearly visible in other industries. The world is littered with examples of companies that did not see the seismic shift in thinking needed for reinvention. British Leyland, PanAm, Comet, Safeway, Woolworths, Blockbuster, Lehman Brothers and others are not here to tell the tale. While the rail industry enjoys a privileged position today, it may not always.

The rail industry can find new ways to amaze and delight customers, and enable its core operations to work in a much more intuitive, joined up way – but it must be prepared to work together, use innovative ideas and business models, and learn from global experience.



**Elaine Stewart** is head of travel and transport at Worldline



# Big dividends for smart cities

Cities should urgently consider introducing smart and contactless ticketing to encourage the use of public transport and help them reach their economic potential, argues **Shashi Verma**

**O**ur industry is a customer service business that provides transport. Our purpose is to keep the country working and moving, supporting the creation of jobs, housing and economic growth. Technological advance and the changing expectations of our customers are offering us even more opportunity to serve them better.

Today, we are all used to doing business with retailers and other service providers simply, accurately and transparently with a tap on a mobile device or a card reader. This is particularly so when making payments.

However, customers regularly report transport ticketing as a painful and confusing experience. Everything

about it – the need to get a ticket at all, the process of buying it, wondering whether you have got the best value for money and the fear of falling foul of arcane rules leading to a penalty fare – imposes wasted time and anxiety. For many, this is a material deterrent to using public transport.

The lack of integration of fares and the means of payment among transport providers present further barriers. And this leads to the transport industry carrying too much cost for ticket selling, money that ought to be put to more productive use.

The investment required to modernise customer service in this area is relatively modest when set against large capital projects which

Four million contactless cards were used in London in the first eight months of the new service; since Oyster was introduced TfL's costs of revenue collection have fallen significantly



tend to capture more of the attention. The scale of the opportunity to improve the passenger's experience, reduce cost and make public transport more attractive is too good to miss. While big capital projects are essential to provide more capacity and reliability, we also have the capability to bring rapid benefits to customers and the industry now, by reducing the time wasted navigating the ticket system.

The experience in London is that relatively modest investment in modern ticket systems leads to simultaneous financial and customer service benefits. The Oyster system, conceived initially just to put season tickets on smart media, has been used in a variety of ways to remove the burden of ticketing; reducing the number of tickets sold; allowing more staff to be visible and available to offer customer assistance; giving confidence that the right fare will be charged every time; and allowing refunds to be given automatically when things go wrong.

This also provides a greater incentive to switch to public transport. The one-off capital investment to extend acceptance of Oyster pay as you go on the national rail network in London was £33m. The increase in fare revenue directly attributable to this change is estimated at more than £100m

annually. That's a return on investment that even Silicon Valley would find startling. And by reducing the number of tickets being sold, it reduces cost as well. In the case of Transport for London, the cost of revenue collection has fallen from 15% of revenue and is on the way to around six per cent. So at the same time as customer service has been improved, costs have come down very significantly too.

## The right business

The next question is why is our industry in the ticketing business at all? Most public transport and ticketing relates to either rail in an urban mass transit environment or buses, which together account for around 95% of all journeys. Fares for these journeys are relatively small and the basic need is to collect a micropayment. Returns, dailies, season tickets and so on are just various means of aggregating a single payment.

The opportunity, therefore, is to make the payment proposition even slicker. A pay as you go offer liberates customers from having to buy a ticket each time they travel. Pay as you go travel coupled with fare capping is what has made Oyster in London, and similar systems around the world, a success. It may sound like a radical change, but it is tried and tested in practice, popular



**Shashi Verma**  
is director  
of customer  
experience  
at Transport  
for London

with customers and achievable in a relatively short time frame.

Two other factors would make it even more appealing. First, a simplification of the rail fares structure would improve public trust by introducing some simple rules such as touching in and out to get the best value fare automatically.

Second, where pay as you go can be combined with a means of payment that funds itself, such as the contactless payment cards that are now successful and popular in London, it takes away any need for customers to convert their currency into transport currency. In other words, we can start to get out of ticket fulfilment and concentrate on directing resources into making sustained investment in transport.

By giving passengers the same experience when paying for transport as they are used to when buying everything else, we can create a truly modern and convenient system. In London, four million contactless cards have been used in the first eight months of the service, with over a million transactions every day. With cards from 61 countries used so far, we have clear evidence that interoperability is achievable both domestically and worldwide without the need for a special transport payment standard.

Questions about long distance travel or higher fares, concessions and the needs of those who do not have a contactless card all have an answer. Long distance travel, for example, is different and will still need customers to take some action in advance, not because of any technological constraints but because people will want certainty over higher value fares.

## Bridges

This is why outside the urban "islands", where pay as you go can be the core proposition, there can be a system of "bridges" where customers take action months or minutes before travel to create a "ticket in the cloud". All that is then needed is a secure form of identity that can be presented at a gate or to a revenue inspector linked to the cloud. This identity could be the same card used to buy the entitlement or indeed any other card. All this relies not on some futuristic technology but on solutions that have been used in the airline industry for the last decade.

There is an urgent need to allow our great cities to realise their maximum economic and social potential through better transport and making life easier for passengers. The evidence suggests that taking a fresh and urgent look at how we improve our ticketing systems, and thus encourage greater use of public transport, can make a major contribution to achieving that outcome.

**Customers regularly report ticketing as a painful and confusing experience**





# ITSO – fulfilling the ticketing challenge

Last century – well, 1999 to be exact – two northern passenger transport executives realised that public procurement rules could result in adjacent transport authorities being forced to acquire ticketing equipment on buses that would not interoperate across their boundaries with neighbouring areas. This would benefit neither operators nor passengers.

Many PTEs had already created multi-modal and area-wide travelcards, which had only just gone through the upheaval of bus deregulation and rail franchising. The question remained: how could adjacent authorities integrate ticketing while allowing procurement of equipment to remain competitive?

They could have buried their heads in the sand about the national problem and opted for area-specific solutions that were not compatible across boundaries. Instead the stakeholders in this debate opted for a potential pearl. This pearl came to be known as the Integrated Transport Smartcard Organisation, originally conceived by PTEG and now commonly known as ITSO. The problem remains that we tend to underestimate just how

ITSO continues to evolve and improve, with coverage of the UK growing, says Systra's Jeremy Meal

long a pearl can take to grow.

Systra undertook the initial ITSO scoping exercise for PTEG in 1999, involving bus and rail operators, interested suppliers and the Department for Transport. Back then, the company was asked to lead a team of six to draft the first iterations of the ITSO specification, which was funded by the DfT.

Today ITSO is made up of members from different sectors representing public transport operators, local transport authorities (including from Scotland and Wales), suppliers and the DfT.

It is timely, given that we have a new government (with its city devolution agenda), to consider what has been achieved and what is next for ITSO. Industry views vary. Many have previously predicted ITSO's demise, but after a bumpy ride and some false dawns ITSO doggedly ploughs on. Why? Many fail to appreciate the complexity of smart ticketing and fares. It's not just about the customer proposition or the technicalities; there are significant



**Jeremy Meal is director of smart ticketing and fares strategies at Systra**



business imperatives to consider, for example the capital investment in equipment and its timing (equipment lasting for several years and not falling due for renewal all at once, nor coinciding with scheme priorities).

Although 12 million concessionary entitlement cards have already been issued using smart ITSO format throughout Great Britain, it has not been a straightforward exercise. It takes time to define the full scope of a scheme, to specify and negotiate terms and then thoroughly test it.

By March 2004, ITSO had successfully overseen the completion of a workable specification, including prototyping of the security environment. Thereafter schemes, many of which were customers for Systra's advice, turned to ticketing system delivery mode.

The first fully fleet-wide ITSO-capable operator was Blackpool Transport with its NoWcard scheme in 2006. It was ready in time for the National Pensioners Convention that same year, and enabled the local authorities to capture visitors' origin data for the first time, together with complete boarding and alighting data and fares forgone for concessionary reimbursement purposes.

Great strides have been made since with issuance of national concessionary cards and in equipping buses to accept smart tickets. This has been complete in Scotland and Wales since 2011; most of England is now equipped and all cards issued. The rail industry ITSO programme began at a later date but has now progressed to midway, alongside the franchise renewal programme. It has been

accelerated through the South East Flexible Ticketing initiative, led and monitored by DfT. The momentum will continue through continuing rail franchise renewals and passenger demand on the railway for going smart.

TfL now accepts ITSO cards for cross-boundary through ticketing. TfL has also embraced a migration from its Oyster card to EMV contactless bank cards for payment, which allows capping of fares to the zonal daily or weekly rate. But until this solution can be extended beyond London, including fitting the necessary equipment and back-office processing

providing access to a multi-modal world, needs further consideration.

## A common framework

In the meantime, in order to improve what is currently available still further, a number of ITSO members have been making progress on continuing ITSO technical challenges – revisions to the specification, interoperability issues related to hot-listing, and specifying the right data for reimbursement and revenue apportionment. Systra has helped define a common framework for interoperable smart ticketing products for nationally important tickets

**Clockwise from top left: Norfolk's Holdall card is designed to be used for transport and other services; Cardiff's iff card was the first ITSO stored value scheme; local authorities and bus operators in the west of England formed SWSAL to offer the Travelwest smartcard; Yorcard is accepted by bus operators across Yorkshire**



software, it will not supersede current ITSO payment-based schemes.

## Future solutions

A future solution must overcome the practical constraints such as the spending limits on contactless bank cards and the monitoring of credit-worthiness within a journey. Mobile devices displaying a numerical code, bar code or emulating a smartcard may also be part of the answer but have yet to achieve standardisation of approach or applicability beyond niche markets. Popular print-at-home and even paper tickets still need to be considered as part of the mix. Furthermore the types of ticket-checking equipment such as rail gates and on-bus equipment must be compatible with the chosen mix of options and remain cost-effective to be at all viable.

How the use of smart tickets could also be expanded beyond public transport to include cycle hire, car clubs and even access to emerging technologies such as driverless cars,

relevant to more than a single operator or mode.

Smart ticketing is progressively being extended. The Government and operators must now work together to speed up the final deployments, plugging the remaining (and now relatively few) gaps.

Many PTEs (Centro, Nexus and Yorcard for Metro/SYPTE, to name but a few early trailblazers) are working with the remainder, and other city areas, in the Smart Cities initiative. This includes sharing common approaches and accelerating introduction through a combination of new product initiatives and improved retail options, including the ability to buy through web portals, remote download and auto top-up and renew. There will be more to look out for in the coming months.

Smart ticketing applications must evolve to meet growing customer requirements. The UK is at the forefront to lead this revolution.

**“The government and operators must work together to plug the remaining gaps in coverage”**





Jim McFarlane



Emma Head



Karen Boswell



Jan Chaudhry-van der Velde

# Transport for Edinburgh appoints new non-executives

A series of new appointments have been made to the boards of Transport for Edinburgh, Lothian Buses and Edinburgh Trams. **Jim McFarlane** becomes chair of Lothian Buses and will also sit on the Transport for Edinburgh board.

Other non-executives joining him at Lothian Buses will be former MSP **Susan Deacon**, Scottish Futures Trust infrastructure director **Tony Rose**, Arriva UK bus operations director **Mark Yexley** and **Charlene Wallace**, who has experience of both the rail and aviation sectors and is currently customer operations director of the water and wastewater service provider Business Stream.

The appointment of **Donald MacLeod**, one of the existing non-executive directors of Lothian Buses, was extended for a further two years.

Non-executive directors have been appointed to the board of Edinburgh Trams for the first time. **Charles Monheim**, formerly chief operating officer of New York's Mass Transit Authority, has been appointed chair, with Ms Wallace and **Andy Neal**, until recently chief executive of the city's business improvement district Essential Edinburgh, as additional non-executive members. Mr Monheim has also been appointed to the Transport for Edinburgh board.

Mr MacFarlane is currently interim general manager

at Lothian Buses and prior to this was managing director of operations at Scottish Enterprise. He has 35 years' experience as one of Scotland's economic development leaders with Scottish Enterprise and its predecessor the SDA.

Charles Monheim worked in a number of roles at the MTA before joining Transport for London in 2001, where he was responsible for the introduction of the Oyster card.

In 2007 he received the *Transport Times* award for Outstanding Contribution to Transport in London. He returned to MTA as chief operating officer in 2009 but relocated to Edinburgh in 2012.

HS2 Ltd has appointed **Emma Head** corporate health and safety director. Emma will join from Network Rail where, as director of safety strategy, she led the strategic safety agenda focusing on technology, working practices, culture change, and risk management and system safety both internally and throughout the industry.

With 16 years' experience in UK rail, Ms Head has worked on both the client and contractor sides of the industry on major engineering schemes such as the West Coast Route Modernisation project and Crossrail.

She is expected to take up her position in August.

- **Emma Head to be HS2 health and safety director**
- **Karen Boswell named Hitachi Rail Europe MD**
- **Chris Conway appointed Translink group chief exec**
- **Jan Chaudhry-van der Velde to become MD of Merseyrail**

Hitachi Rail Europe has announced the appointment of **Karen Boswell** as managing director and **Nick Hughes** as sales director.

Ms Boswell joins from East Coast Trains where she spent five years as managing director. She will lead the company as it moves into delivering and maintaining existing orders for Class 800/801 trains and AT200 trains as well as continuing to expand the business to attract new orders. She takes over from **Keith Jordan**, who will be taking up a new senior international role.

Nick Hughes has over 20 years of senior level experience in the UK and EU rail markets. He joins from Ansaldo STS where he is currently UK chairman. Prior to that, Mr Hughes held senior business development roles at Alstom Transport and Jarvis.

The Northern Ireland Transport Holding Company has announced that **Chris Conway** has been appointed as integrated transport operator Translink's new group chief executive. Mr Conway, a

native of Northern Ireland, is currently managing director of Tata Steel's sales and distribution business in Ireland; previously he was vice-president of operations in Europe for Nortel and managing director of Nortel (NI) Ltd. He is chairman of Northern Ireland Co-operation Overseas and a member of the board of trustees of Young Enterprise.

**Jan Chaudhry-van der Velde** has been appointed managing director of Merseyrail by joint venture partners Abellio UK and Serco. He is currently the deputy managing director of Abellio UK. He will take up the new post in July 2015.

Mr Chaudhry has 25 years' rail industry experience, having held a number of directorships within several train operating companies. Most recently for Abellio UK, he led on fleet and operations and played a senior role in Abellio's successful bid for the ScotRail franchise. He represents Abellio UK on the rail industry's national task force and planning oversight group and takes the lead on rail policy for track access, alliancing, periodic review and other regulatory matters. He is a current board member of Merseyrail.

**Alan Chaplin**, who has been interim managing director since January 2015, will return to his permanent position of service delivery director and deputy managing director at Northern Rail this summer.



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