

HIGH SPEED TWO PHASE 2a INFORMATION PAPER

F₄: FUTURE OPERATION AND COMMERCIAL ISSUES

This paper outlines the current direction of policy for future operation and commercial structures in respect of the HS2 Phase 2a infrastructure and rolling stock.

It will be of particular interest to those potentially affected by the Government's proposals for high speed rail.

This paper was prepared in relation to the promotion of the High Speed Rail (West Midlands-Crewe) Bill which is now enacted. It was finalised at Royal Assent and no further changes will be made.

If you have any queries about this paper or about how it might apply to you, please contact the HS2 Helpdesk in the first instance.

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F4: FUTURE OPERATION AND COMMERCIAL ISSUES

1. Introduction

- 1.1. High Speed Two (HS2) is the Government's proposal for a new, high speed north-south railway. The proposal is being taken forward in phases: Phase One will connect London with Birmingham and the West Midlands. Phase 2a will extend the route to Crewe. Phase 2b will extend the route to Manchester, Leeds and beyond. The construction and operation of Phase One of HS2 is authorised by the High Speed Rail (London – West Midlands) Act 2017.
- 1.2. HS2 Ltd is the non-departmental public body responsible for developing and promoting these proposals. The company works to a Development Agreement made with the Secretary of State for Transport.
- 1.3. In July 2017, the Government introduced a hybrid Bill¹ to Parliament to seek powers for the construction and operation of Phase 2a of HS2 (the Proposed Scheme). The Proposed Scheme is a railway starting at Fradley at its southern end. At the northern end it connects with the West Coast Main Line (WCML) south of Crewe to allow HS2 services to join the WCML and call at Crewe Station. North of this junction with the WCML, the Proposed Scheme continues to a tunnel portal south of Crewe.
- 1.4. The work to produce the Bill includes an Environmental Impact Assessment (EIA), the results of which are reported in an Environmental Statement (ES) submitted alongside the Bill. The Secretary of State has also published draft Environmental Minimum Requirements (EMRs)², which set out the environmental and sustainability commitments that will be observed in the construction of the Proposed Scheme.
- 1.5. The Secretary of State for Transport is the Promoter of the Bill through Parliament. The Promoter will also appoint a body responsible for delivering the Proposed Scheme under the powers granted by the Bill. This body is known as the 'nominated undertaker'. The nominated undertaker will be bound by the obligations contained in the Bill and the policies established in the EMRs. There may be more than one nominated undertaker.
- 1.6. These information papers have been produced to explain the commitments made in the Bill and the EMRs and how they will be applied to the design and construction of the Proposed Scheme. They also provide information about the Proposed Scheme itself, the powers contained in the Bill and how particular decisions about the Proposed Scheme have been reached.

¹ The High Speed Rail (West Midlands – Crewe) Bill, hereafter 'the Bill'.

² For more information on the EMRs, please see Information Paper E1: Control of Environmental Impacts.

2. Overview

- 2.1. The information in this paper relates to the commercial and governmental bodies that may in future operate and manage this railway.
- 2.2. The Bill does not amend the existing statutory and regulatory structure set out in the Railways Act 1993 (as amended by the 2005 Act) with the railway regulated by the Office of Rail and Road, the independent regulator.
- 2.3. It is important to note that neither the Bill nor the EMRs contain provisions that determine how the Promoter will structure operations and asset management legally or commercially. As long as they are consistent with the wider legal and regulatory environment that applies to the GB railway, a range of different approaches could be implemented for the Proposed Scheme without requiring any changes to the Bill or the existing regulatory structure.
- 2.4. Whilst the long term commercial and operational structure for managing HS2 infrastructure has not been determined, the DfT has envisaged that the first stage of operation of Phase One and Phase 2a will be undertaken by the West Coast Partnership.

3. Infrastructure operations, asset management and charging

- 3.1. Models that could secure private sector investment in the infrastructure prior to passenger service commencement, or at a later stage, will be kept under review by the Promoter and enacted where this is commercially appropriate and likely to deliver good value for money to taxpayers.
- 3.2. The Secretary of State's present intention is that the nominated undertaker will be the infrastructure manager and infrastructure licence holder for the Proposed Scheme.
- 3.3. The nominated undertaker could discharge these functions directly, or could engage one or more suitably qualified third parties to operate and/or maintain the infrastructure on a commercial basis subject to the Secretary of State's approval.
- 3.4. In line with the rest of the rail network and regulation, it is envisaged that infrastructure operations and train operation will be undertaken by separate companies. Safe, efficient and successful operations will require robust systems to be implemented to integrate all elements of the new railway into an operational whole, including track, trains, stations and information and management systems.
- 3.5. The majority of train services using the high speed network are also anticipated to use Network Rail infrastructure for part of their journeys. The HS2 Phase One and Phase 2a infrastructure manager and train operators will therefore need to work closely with Network Rail and other train operating companies to manage the operational interfaces to ensure train services operate in accordance with the required specification.

- 3.6. Close cooperation will also be needed in respect of the wider network roles undertaken on the railway by Network Rail, including long term planning, timetabling and coordinating network-wide responses at times of major disruption.
- 3.7. If appointed as Infrastructure Manager, HS2 Ltd intends to levy an Investment Recovery Charge (IRC) on users of the HS2 Phase 2a infrastructure along with other charges which might form part of a track access charging regime. This will be subject to approval by the Office of Rail and Road , in line with the Railways Infrastructure (Access and Management) Regulations 2005.

4. Rolling stock and depots

- 4.1. Rolling stock used for the operation of Phase One will also be used for the operation of Phase 2a, until the entire HS2 network is opened. There is not expected to be any additional rolling stock required for the operation of the Proposed Scheme.
- 4.2. For more information on the procurement of rolling stock, please see the Phase One Information Paper J1: Future operation and commercial issues, which is available here:
 - [https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/593142/J01 -
_Future_operation_and_commercial_issues_v1.3.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/593142/J01_-_Future_operation_and_commercial_issues_v1.3.pdf)

5. Operation of train services

- 5.1. As outlined above, a commercial passenger train operator (The West Coast Partnership) is being procured to succeed the current operator of the Intercity West Coast Franchise at the end of the current Franchise term. This commercial partner will operate the Intercity West Coast Franchise and will lead the development and integration of the emerging HS2 passenger operations prior to revenue earning services starting, acting in effect as a 'Shadow Operator' for the passenger operations before services formally commence, when it will take on the role of Initial Operator.
- 5.2. The appointment of a train operator will be undertaken using the powers set out in the Railways Act 1993, which allow the Secretary of State to designate train services as franchised services and to contract with a train operating company. The Office of Rail and Road will be responsible for determining track access allocation in line with its statutory duties, including potential future applications from non-franchised passenger operators.
- 5.3. Service requirements and the commercial terms will be developed as part of the procurement process and the ultimate design of the commercial agreements will need to reflect up-to-date information. Train service options will be developed in an open and consultative process by the West Coast Partner that takes account of passenger, community and freight priorities across the whole GB Rail network.

- 5.4. The case for this railway assumes freight trains are unlikely to operate on the high speed infrastructure. The HS2 infrastructure has not been designed to accommodate traditional slow/heavy rail freight services, but could theoretically accommodate High Speed, High Value freight services if spare capacity was available and network maintenance requirements were not adversely affected. As a high speed, high capacity service, HS2 could not accommodate traditional rail freight services without unacceptable detriment to capacity and significant additional maintenance requiring to be undertaken. Therefore, such operations are not precluded by the Bill, and future applications may be made for track access by freight operators with suitable rolling stock should capacity be shown to be available.

6. More information

- 6.1. More detail on the Bill and related documents can be found at: www.gov.uk/HS2