



hs1
high speed one

Going for Growth

Recommendations to grow domestic rail services
and benefits on the HS1 line

Executive Summary



The railways are facing their most serious challenge in decades. Major macro trends such as the shift to hybrid working and the cost-of-living crisis, along with repeated rail strikes, have intervened to affect passenger demand.

To its great credit, the network has begun to recover from the Covid-19 pandemic. Train use has increased dramatically since travel restrictions eased, but the growth many operators had experienced post-Covid is now being affected again - passenger numbers have settled at around 85% of pre-pandemic levels. As a sector, we need to work hard to get growth back on track.

The sector faces a critical period where consumer behaviour is changing as a result of the pandemic. While this change may suppress demand, issues such as growing concern with climate change have the potential to change consumer behaviour for the benefit of rail travel.

Rail operators must use this opportunity to get customers back using rail travel. There is clear evidence that rail travel, and the connectivity it brings, is good for the economy; further still, recent research shows that international travel by rail into the UK can be a key driver of economic growth, through tourism-related benefits.

The HS1 line plays a critical role in the UK's domestic rail network as the only current high-speed rail line. Its success is totemic for the rest of the network, and if it can begin to grow again, it can provide a clear pathway back to growth for other operators and lines that have struggled to recover post-pandemic.

That ambition is the basis for this report. In it, HS1 Ltd - which owns the concession to operate the HS1 line - has outlined three key areas where targeted support can help re-start growth on the line, increasing the economic and social benefits that come with it.

Growth is the single-most effective way for the HS1 system to boost the benefits of the line. While changes in Westminster and the wider world mean that the Government's focus isn't singularly aimed at growth, the rail sector must retain a growth mentality.

There is a risk that passenger numbers settle below pre-pandemic levels, in turn depressing operator revenue, leading to a reduction in services to save money. Only significant growth in passengers can address this challenge. In this report, we outline credible ways to increase use and the wider benefits of the HS1 system.

These asks complement, but are not dependent, on the creation of Great British Railways. They are areas the Government and industry can quickly deliver change in, and will be effective in the current regulatory environment.

The areas, in summary, are:

- **Passenger improvements:** a focus on making rail travel better value for customers through new ticketing models and improving passengers' station experience.
- **Supporting the HS1 system:** a focus on helping the HS1 system help itself through greater regulatory flexibility as well as greater support for operators on the line.
- **Sector-leading sustainability:** a focus on 'green growth' through Government initiatives, as well as helping HS1 Ltd deliver more sustainability measures.



The importance of supporting the HS1 system

The HS1 system is a key part of the UK's rail network, and showcases the economic and social benefits that can be delivered by high-speed rail.

The line delivers a significant economic contribution to the UK economy, environmental benefits through decarbonisation, and increased connectivity for people previously outside commuting range of London. The Covid-19 pandemic clearly stunted these contributions, but since restrictions were lifted, they have begun to grow once again.

However, while the line has begun its path to recovery and has returned to a focus on growth, it still faces challenges that can hinder future growth of the regions it serves. Some economic benefits are being affected by depressed passenger use during the pandemic. These full potential benefits will only return once passenger numbers recover to 2019 levels.

This underlines how significant benefits will continue to be lost as a result of the line's stunted growth, unless there is targeted regulatory, and at times, financial flexibility for the line. Given the fixed costs associated with operating the railway, there is a direct correlation between more services/ passengers on the line, and the growth the line will experience.

With specific interventions, the line can overcome its current challenges and boost the benefits it delivers, contributing to the national and regional economy. This will deliver increased benefits to the UK economy while reducing costs.



Passenger improvements

The most critical area where support is required to boost HS1's growth is improving passenger benefits and experience.

Value for money is the central element of this. The old commuting model has largely disappeared – yet the rail sector has not innovated to accommodate this change. For instance, many season tickets are still priced on the assumption someone will commute five days a week – despite many office workers now working from home regularly.

On top of this, individual ticket prices are often seen to be very high, especially when compared with other forms of travel. It underlines how, with value for money an increasing concern for passengers, the rail sector must rethink the benefits it provides to customers.

The most important place to begin, therefore, is more flexible/ value ticketing options. This could be through new season ticket-style options for people commuting less than five days a week (already being trialled on some lines), or discount offers for regular use. The Government could even look to incentivise season ticket purchases as a way to further promote green travel.

Alongside ticketing, customer attitudes can be heavily shaped by the in-station experience. The rail sector must think about how a positive station experience can incentivise rail use.

There are a variety of ways the sector and Government can work together to achieve this, including measures that make it easier to use stations. Fast-tracking AI

technology which helps avoid bottlenecks in stations, or more effectively spot maintenance needs before issues arise, is one such area.

There are also connectivity issues to consider. Linking stations more easily to other forms of transport is key to ensuring people can easily access train stations, making it more likely for them to use train travel as part of their journey. Strong consideration should be given to making more bus routes go past train stations, introducing more bike spaces and charging points in station car parks, or having parking spaces for micro-mobility options at stations.

HS1 is ideally positioned to trial these initiatives and others being developed by the Great British Railways Transition Team.

In summary, key areas for consideration include:

- **Ticketing:** More flexible and better value ticketing options must be introduced, to incentivise people to use rail frequently.
- **Connectivity:** Greater effort needs to be made in helping people reach train stations, so they can use rail travel as a part of their journey.
- **In-station experience:** Work needs to be done to provide a smoother station experience through stronger innovation.

Supporting the HS1 system



Regulatory changes are needed to help support HS1's growth. These will allow the HS1 system to help itself through greater freedom to innovate. It will also enable HS1 Ltd to reduce the cost per train through growth and efficiency.

The HS1 line has a proven track record of sustainable growth when unincumbered by external pressures. Providing the line with greater regulatory flexibility means, therefore, HS1 Ltd can look to overcome the challenges caused by external pressures, as the company will be able to deliver further innovation and greater efficiencies, driving growth.

Thought must therefore be given to how providing HS1 Ltd with greater flexibility in the use of its finances could help the line help itself. That could extend to re-defining certain works as renewals rather than upgrades (allowing for different pots of funding to be used for improvements), as well as thinking about how HS1 Ltd can invest its money in the current high-inflation climate. It would also mean HS1 Ltd can invest its funding differently, leading to potentially greater financial returns.

Long-term, further discussion on extending HS1 Ltd's concession would present an opportunity to provide the company with greater long-term certainty. By doing so, the company can produce even more ambitious long-term plans for growing the line, given the certainty that would come with a concession extension.

Away from HS1 Ltd's regulation, the system can only support itself if key components – such as operators – are properly supported. Any future growth of the HS1 line is directly linked to the success of operators, and the quality of service they provide.

That means the Government must work to ensure Southeastern is supported adequately. This is both

through future financial support (helping with rolling stock renewal), and regulatory flexibility (allowing them to become leaner and more efficient in day-to-day operations).

Finally, the Government must change its focus concerning how it holds operators to account for the services they run. Currently, a focus purely on an operator's level of costs directly disincentivises operators from reversing a decrease in the number of services provided. The number of services is directly linked to the ease with which people can use a rail line. It is therefore imperative that service levels increase, avoiding a 'spiral of decline'. This can be achieved by the Government placing a greater emphasis on operators raising passenger numbers, rather than simply keeping costs down.

In summary, key areas for consideration include:

- **Concession regulation:** The Government must look at ways to adapt the rules on HS1 Ltd's use of concession funding, as well as the concession's terms more broadly.
- **Efficiencies:** The rail sector should look into how the rail network can work more efficiently, as it looks to meet cost challenges post-covid, supported by government.
- **Quality:** The Government must ensure the long-term viability of key rail operators, such as Southeastern, is maintained through continued investment and support.
- **Quantity:** The Government must find new ways to ensure operators are incentivised to raise service levels and frequency.



Sector-leading sustainability

Sustainability measures can help HS1 Ltd attract more passengers to use services, as well as build the line's energy resilience.

A growing proportion of the public now considers sustainability when choosing travel options. Capitalising on this shift in public attitudes is crucial. For instance, delivering sustainability-focused schemes - such as 'green miles' rewards for frequent travellers - can provide incentives to choose rail travel because of its sustainability credentials.

More broadly, and aligning with the Government's 'growth agenda', opportunities to deliver 'green growth' are critical for the line's success. For example, funding could be utilised to help deliver the 'Dover in 60' ambition by introducing high-speed trains to the route, meaning train journeys between London and Dover only take one hour. This would drive economic growth and decarbonisation in the transport sector, given the potential to incentivise rail over car travel and help support targeted growth in that region, due to increased connectivity.

Regulatory changes can also help HS1 deliver sustainability measures that help the line grow. Relaxing planning rules, for instance, could help HS1 Ltd build more solar panels

along or near the line - delivering more green energy and saving the system money in the long term.

Finally the Government, to stimulate growth, should consider policy interventions that incentivise greater levels of train travel. European counterparts have recently introduced a number of initiatives that aim to do such a thing, including Spain's extended free ticket scheme for short and medium-distance journeys, or Germany's €9 rail pass scheme which took place last year.

In summary, key areas for consideration include:

- **Provide incentives to go green:** Thought must be given to how sustainability-focused incentives can be introduced, such as a 'Green Miles' scheme.
- **Greater regulatory flexibility:** Regulatory flexibility can allow HS1 Ltd to deliver more sustainability measures that help deliver growth and resilience.
- **Delivering 'green growth' initiatives:** Focus must be put toward ensuring 'green growth' projects the rail sector can deliver form a central element of the Government's current 'growth agenda'.



Conclusion

This document sets out three pillars to support HS1's future growth.

Through passenger improvements, support for the HS1 system, and a resolute focus on 'green growth', the line can again focus on growing its benefits for passengers as well as the regional and UK economy.

In doing so, it can also provide an excellent example for the rest of the rail network to follow, helping the sector become truly fit for the 21st Century.

HS1 Ltd stands ready to work with Government in playing a central role in shaping a future-proof structure for how rail lines and operators work, and how they can ultimately be profitable and deliver the growth the UK economy needs.