

# Net Zero, Energy and Transport Committee

## 19<sup>th</sup> Meeting, 2023 (Session 6)

Tuesday 30 May 2023

### Evidence session on Scotland's railways

#### Introduction

1. The Net Zero, Energy and Transport Committee has agreed to take evidence on Scotland's railways, to take stock of developments in the industry since 1 April 2022.
2. The Committee previously held evidence sessions with rail stakeholders and the Scottish Government at sessions on [8 March 2022](#) and [15 March 2022](#). On 1 April 2022, ScotRail services were transferred into public ownership and are now operated by ScotRail Trains Ltd, a subsidiary of Scottish Rail Holdings Ltd, a company wholly owned and operated by the Scottish Government.

#### Background to Scotland's railway

3. While the Scotland Act 1998 defined the provision of rail services as a reserved matter, the Scottish Government is responsible for the letting and management of Scottish passenger rail franchises – currently ScotRail and Caledonian Sleeper.
4. The national rail infrastructure across Great Britain is owned by Network Rail, which is a public owned body of the UK Department for Transport. The Scottish Government are responsible for setting the high-level strategy and providing funding for the maintenance and enhancement of Network Rail infrastructure in Scotland over multi-year “control periods” which are established through a “periodic review” process.
5. Between 1993 and last April, the railway in Scotland were operated under a privatised system. This meant that passenger rail services were provided by a Train Operating Company (TOCs) awarded a ‘franchise’ by the Scottish Government to provide services in Scotland. Prior to public ownership, ScotRail services had been operated since 2013 by Abellio ScotRail, a subsidiary of the rail company Abellio.

#### Transfer of ScotRail into Public Ownership

6. Michael Matheson MSP, former Cabinet Secretary for Transport, Infrastructure and Connectivity [announced on 17 March 2021](#) that the Scottish Government would terminate Abellio's ScotRail franchise when the contract ended on 31 March 2022.

Services would in future be operated by an arms-length company owned by Scottish Ministers, under “operator of last resort” powers.

7. Governance of Scotrail Trains Ltd is managed by Scottish Rail Holdings Ltd, another Scottish Ministers-owned company, which has separate operational management from Transport Scotland. Terms and conditions of ScotRail staff were maintained under the new arrangements. A trade union representative has also been placed on the Board of Scottish Rail Holdings Ltd.

8. The Scottish Government has also recently announced that the Caledonian Sleeper franchise will also now be transferred into public control from 25 June. Services will be provided by an arm’s length company owned by and accountable to Scottish Ministers.

## Meeting on 30 May 2023

9. At its meeting on 30 May, the Committee will hear from a panel comprised of representatives of trade unions and Transport Focus, an independent watchdog for transport users. It will then hear from a panel of Scotland’s current operators of railway services. The names of all participants are listed on the meeting agenda.

10. The Committee hopes to ascertain what the implications of public ownership have been on Scotland’s railways, and whether new arrangements have been conducive to improved industrial relations and better services for the public. Members will also explore what the direction of travel is for Scotland’s railways, and how services can be future-proofed to meet changing passenger demands and new requirements around net-zero.

11. The Committee has received written submissions ahead of the meeting from—

- [National Union of Rail, Maritime and Transport Workers \(RMT\)](#) – **Annexe A**;
- [Transport Focus](#) – **Annexe B**

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Net Zero, Energy and Transport Committee

## Annexe A

### Written submission from the National Union of Rail, Maritime and Transport Workers (RMT), 21 May 2023

#### **Industrial relations under public ownership**

As we explained to the Committee in our evidence session in March 2022, a priority for RMT under the new ownership model was improving industrial relations at ScotRail, which had become strained under the approach taken by former operator Abellio. We welcomed the direct constructive discussions with the former Transport Minister Jenny Gilruth MSP which have taken place during the past year and believe that such an approach is a vital part of enabling effective and constructive industrial relations across Scotland's Railway. We also welcome that there is a trade union representative on the Scottish Rail Holdings board.

Similarly, as the Caledonian Sleeper approaches its transfer into Scottish Government ownership in June, ensuring constructive industrial relations with the public sector operator remains a priority for RMT.

Industrial relations going forward will depend largely on the approach taken by the Scottish Government and new Transport Minister Kevin Stewart MSP and whether the constructive engagement which has taken place over the past year will continue.

We welcome the First Minister's categorical commitment, given to RMT, that both ScotRail and Caledonian Sleeper will remain in public ownership. This ownership model is undoubtedly the most sustainable and affordable way to run Scotland's rail passenger services.

However, there remain issues on Scotland's railways that must be addressed by the Scottish Government, and we will turn to these below.

#### **Collective bargaining**

Since it was renationalised, the Scottish Government has sought to apply the Public Sector Pay Policy to ScotRail (and Caledonian Sleeper from when it is nationalised in June 2023). RMT does not support this approach and unequivocally expects the Scottish Government to commit to keeping free collective bargaining for pay and conditions at both ScotRail and Caledonian Sleeper. We welcome the First Minister's commitment to us given during the leadership election that he 'absolutely will protect rail workers through free collective bargaining...' We are therefore seeking a commitment from the Scottish Government that it will not seek to impose the Public Sector Pay Policy on ScotRail and Caledonian Sleeper and will permit the continuation of free collective bargaining over pay and conditions.

Last year, following two days of industrial action, RMT members at ScotRail RMT members at ScotRail secured a pay award for 2022 which included 8.5% for lowest paid, around 7.5% for other grades, a 6 year no compulsory redundancy agreement and an extension of the rest day working agreement. Given that the Scottish

Government had initially offered 2.2% this was a big improvement won through these members' determination to get a fair deal.

At the time of writing, pay talks at ScotRail and Caledonian Sleeper for 2023 are ongoing and we are seeking a pay award for 2023 which recognises the impact of the ongoing cost-of-living crisis on our members.

### **ScotRail ticket offices**

When RMT gave evidence to the Committee in March 2022, we highlighted our opposition to the proposed cuts to ticket office hours at 117 of its 143 staffed stations. More than a year later, the Scottish Government still has not ruled out these cuts. If implemented, the cuts would mean a reduction in hours of around a third across the affected stations. Despite repeated requests for it to do so, the Scottish Government has continued to refuse to rule out going ahead with these cuts, and despite the near-unanimous opposition that was voiced in the public consultation, held by Transport Focus, over the proposals. Of the 1550 responses received by Transport Focus, all but 20 objected to the proposals<sup>1</sup>.

Already around two-thirds of ScotRail stations are unstaffed, and cutting ticket office hours and moving staff to mobile, and in some cases roving roles, as was proposed by ScotRail, would undoubtedly increase the time that many stations are unstaffed, given that in many cases, ticket office staff are the only staff present at a station. Cutting ticket office hours would also make it more likely that vacancies will be left un-filled, the result of which would be a reduction in station staffing across the network.

We need more staff at stations and in ticket offices, not less. In fact, this was the findings of the Scottish Government's own report published recently<sup>2</sup>. The report looked at the safety of women and girls on public transport and found, unsurprisingly, that women and girls felt safer travelling when staff were present and there were staffed ticket offices. The report went on to recommend that the Scottish Government should look at increasing staff presence at both points of boarding, alighting and interchange, as well as the possibility of increasing on board staff presence at the times that women and girls feel most vulnerable (including evenings and weekends, in particular). It is imperative that the Scottish Government acts on the recommendations of its own report. When publishing the report, the former Transport Minister stated that the Scottish Government would be holding a summit on Women's safety on public transport and that trade unions would be invited to join this. We absolutely agree that trade unions need to be involved in this important debate and believe the Scottish Government should set out, as a matter of urgency, when this summit will take place.

During the First Minister leadership contest, RMT wrote to all candidates seeking their support on a number of pledges for rail. This included 'protecting and enhancing rail safety and accessibility by increasing staffing, keeping ticket offices open and restaffing our stations'. In his response, the now First Minister Humza Yousaf MSP acknowledged the report into women and girls' safety which recommended

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<sup>1</sup> <https://www.transportfocus.org.uk/publication/scotrail-ticket-office-consultation/>

<sup>2</sup> <https://www.transport.gov.scot/news/women-and-girls-safety-on-public-transport/>

increasing rail staffing and said that this would be taken forward via the National Rail Conversation.

The National Rail Conversation was originally announced in February 2022 by former Transport Minister Jenny Gilruth MSP. Whilst the current Transport Minister has said he wanted to continue progressing the National Conversation, at the time of writing we are not aware of any date when this will be formally launched. We are concerned about the lack of progress towards launching the national conversation and believe the Scottish Government must confirm if it is going to see the light of day, and if not, how it will instead take forward the recommendations of its own report.

We will continue to press the Scottish Government to once and for all rule out cuts to ScotRail ticket offices and for it to invest in expanding staffing across the network.

### **Service levels**

The May 2022 ScotRail timetable represented a reduction in services of over 10% compared to pre-pandemic levels. As we highlighted to the Committee back in March 2022, RMT opposed the service reductions on the basis that reducing service levels would deter passengers from using rail and hinder progress towards Scotland's carbon reduction targets.

Rather than presiding over service reductions, the Scottish Government should be investing in expanding services past pre-covid levels. Without targeted and sustained investment in rail services, the Scottish Government will not deliver the significant modal shifts from cars to public transport that are vital for meeting climate change targets.

Despite the Scottish Government having a target of reducing car distance travelled by 20% by 2030, the reality is that car usage remains on an upwards trajectory. Between 2020-21 and 2021-22, car traffic in Scotland increased by 15% and pre-pandemic car traffic had increased 10% in the decade to 2019<sup>3</sup>.

### **Anti-social behaviour on Scotland's railway**

RMT remains very concerned about the prevalence of anti-social and abusive behaviour on the ScotRail network, with many members reporting their belief that this is becoming more frequent. Last year, RMT surveyed its members at ScotRail to ask for their experiences. 84% of members said they had experienced violence at work in the last year, with nearly all saying it had happened on multiple occasions. 90% of members said that violence on the ScotRail network had increased in the last year, with 95% saying ASB had increased. The most common reasons cited behind this increase was lack of action taken against perpetrators; reduced presence of BTP and reductions in station staffing. 80% of staff who experienced violence or ASB were lone working at the time.

One of the reasons that we are opposed to cuts to ticket office hours relates to staff and passenger safety and security. The ticket office acts as a point of safety for both passengers and staff, many ticket office staff lone work and as the Scottish Government's own report found recently, women travellers report feeling safer when staffed ticket offices were open. It follows that significantly increasing the time that

<sup>3</sup> <https://www.transport.gov.scot/media/53065/summary-chapter-scottish-transport-statistics-2022.pdf>

ticket offices would be closed would be detrimental to the safety and security of both passengers and staff.

RMT believes that the extent of violence and abusive behaviour faced by rail workers in Scotland warrants the creation of a specific offence for assaulting or abusing public transport workers whilst at work. Similar legislation exists for the emergency services and retail workers. We have raised this issue with the Scottish Government, as have MSPs. Most recently, Katy Clark MSP wrote to the Scottish Government about the issue of ASB on ScotRail services. In its response, the Scottish Government stated that Protection of Workers (Retail and Age-restricted Goods and Services) (Scotland) Act 2021 covers work done by those whose usual place of work is not a retail premises if the work is in connection with the supply or sale of goods to the public. The Scottish Government therefore indicated that this would cover public transport workers selling tickets and refreshments to the public. Katy Clark is seeking further clarity from the Scottish Government around exactly which grades would be covered by this existing legislation, and whether it would apply to staff working on cross border services once in Scotland, and this issue warrants undoubtedly requires further clarification from the Scottish Government.

### **Investment in Scottish rail infrastructure**

RMT has recently raised concerns over cuts to the Scottish rail infrastructure budget and reductions in safety critical scheduled maintenance tasks. The Scottish Government's Statement of Funds Available (SoFA) for the next control period (CP7) that was published in February 2023, committed £4.2bn in CP7 (2024 – 2029), £650m less than the funding allocated for CP6.

The Transport Minister has recently stated that the budget for rail enhancements was not included in the SoFA for CP7, and urgent clarification is required from the Scottish Government over the enhancements budget for CP7. RMT remains concerned that the budget for vital enhancements work for the remainder of CP6 and into CP7 may be cut. RMT is demanding real terms increases in infrastructure investment.

Recently, the safety regulator, the Office of Rail and Road (ORR) wrote to Network Rail about its failure to comply with structure examinations meaning a backlog of thousands of structures on our railway being left with little or no examinations over many years. The letter states how this poses a clear safety risk:

*“In some cases, this could lead to a safety incident, it could also result in speed restrictions being put in place to mitigate the safety risk, making it more difficult to run trains on time. Failure to manage the examination process could also impact Network Rail’s ability to efficiently plan its maintenance and renewal activities.”*

Network Rail is now imposing its Modernising Maintenance Programme across Network Rail which will slash Maintenance Scheduled Tasks by 50% with the sole intention of reducing headcount and overhead costs.

Safety should always take priority over cost-cutting, outsourcing and profiteering but RMT is concerned that the Government and Network Rail are not properly taking into account the extreme risks facing us today by ageing infrastructure coupled with climate change and regular extreme weather events.

The Rail Accident Investigation Branch report into the disaster at Stonehaven, Carmont, where three people tragically lost their lives found that the failure to ensure inspections were carried out on a drainage system directly contributed to railway engineers not identifying a construction fault which ultimately led to the derailment.

It is absolutely vital that the mistakes of the past are not repeated. Scotland needs a railway fit for the 21<sup>st</sup> Century, one that is fully funded, resilient and most importantly safe for both passengers and railways workers.

### **Minimum Service Levels**

As the Committee will be aware, RMT members employed by the infrastructure manager Network Rail and the 14 train operators managed by the Westminster Government, have over the last year taken part in sustained industrial action in defence of their jobs, pay and conditions.

Whilst the dispute at Network Rail has now been settled, the train operator dispute remains ongoing. Rather than enabling the train companies to reach a negotiated settlement with RMT, the Westminster Government has responded to the wave of industrial action across many industries by tabling draconian and undemocratic Minimum Service Level legislation. RMT unequivocal that the Westminster Government's legislation is an attack on workers' democratic and human rights and is unfair, undemocratic, unworkable and unsafe.

Just some of the provisions of the Bill include powers for employers to serve work notices on employees, telling them to work in order to meet a minimum service level specified by the Secretary of State; loss of protection against unfair dismissal for workers who fail to comply with a work notice; damages levied against trade unions who are considered to have failed to instruct members to comply with work notices.

We are very concerned that the Westminster Government intends to apply this legislation to devolved matters, such as rail passenger services. This is a direct attempt to interfere in the Scottish Government's ability to conduct industrial relations as it sees fit.

We welcome the Scottish Government's opposition to MSLs and the First Minister's statement, given to the STUC congress, that the Bill should not apply in Scotland and that the Scottish Government 'will never issue or enforce a single work notice' and 'will continue to do everything we can to oppose this disgraceful, abhorrent legislation'. We believe that as part of the Scottish Government's activity to oppose the Bill, it must seek urgent legal advice on the non-application of the legislation in Scotland.

## Annexe B

### Written submission from Transport Focus, 24 May 2023

#### *Introduction*

Transport Focus is the statutory body responsible for representing the interests of rail passengers in Great Britain. Our comments are set out below.

#### ***Have changes made to the structures and operations of ScotRail since the transfer of operation been conducive to improved services for the public.***

We held a public Board meeting in Edinburgh on 18 May 2022, shortly after the transfer of ScotRail operations. There were key speakers from ScotRail and Scottish Rail Holdings taking part.

We heard that the move from the franchise model to the new public body allows ScotRail to evolve along with their passengers and to make decisions for the longer-term. Key priorities, include, modernising the way rail travel is delivered in Scotland to ensure financial sustainability. Recovering from the impact of the pandemic by growing passenger numbers and revenue. Ensuring staff and passengers feel safe on Scotland's Railway by working with colleagues, British Transport Police and stakeholders to tackle instances of anti-social behaviour.

In summary we were informed that ScotRail will focus on, everyone home safe every day for the public, passengers and workforce. Reducing the net cost of the railway to the taxpayer via revenue growth and unit cost reduction. Working with Transport Scotland and Network Rail to deliver the rail decarbonisation action plan.

**Passenger Satisfaction** - We conduct a Rail User Survey<sup>4</sup> that asks passengers in Great Britain about travelling by rail and how satisfied they were with their most recent train journey. Each weekend a representative sample of 2000 people from across Great Britain are asked questions about their public transport use. We ask which types of transport they have used and for what purpose. Those who used rail are asked about their overall satisfaction with the journey and with aspects such as value for money, punctuality and frequency.

Satisfaction with rail journey across twenty-two train operators and six factors showed the following results for ScotRail, which compare favourably against the other train operators:

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<sup>4</sup> Rail User Survey – March 2023



Attribute	Score
Punctuality of Services	80%
Value for Money	65%
Level of Crowding	78%
Level of Cleanliness	76%
Frequency of Services	74%
Information During Journey	75%
Overall Satisfaction	90%

**Ticket Offices** - We received over 1500 responses to ScotRail's consultation on changes to ticket office opening times. Taking account of the feedback received, we responded to ScotRail's proposals<sup>5</sup> making a number of recommendations for consideration prior to any final decision being made.

**Timetable Changes** - ScotRail introduced a new timetable in May 2022 after a public consultation exercise that received over 3,000 responses.

We noted the intention<sup>6</sup> that the May 2022 timetable is a new starting point for future timetable development. ScotRail intend to use lessons learnt during the Covid-19 pandemic, along with new methods of analysis, to continue refining and improving the timetable on offer. We trust that where particular issues of consumer detriment are identified that refinements and improvements can be made and implemented quickly in advance of future timetable iterations.

There is always a difficult balance between punctuality, capacity, and frequency – there is inevitably a trade-off between these factors. Our research shows that passengers want a robust, dependable timetable so they arrive on time at their destination.

Our insight indicates that passengers (particularly commuters) are more interested in arriving punctually than in shaving a few minutes off a journey – though there was appetite for reduced journey time on very long-distance trips. The insight also showed that passengers tended to favour punctuality over efforts to insert extra trains in the timetable. There were again exceptions to this – passengers on routes with a low frequency wanted more trains to run, as did commuters who struggled to get a seat. There is clearly a tipping point at which frequency of service becomes the priority.

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<sup>5</sup> Proposed Changes to Ticket office Opening Times – February 2022

<sup>6</sup> Response to ScotRail Timetable Consultation – August 2021

Another difficult area is the question of direct services versus connections. We joined with Network Rail to explore whether passengers<sup>7</sup> would prefer direct trains to their destination, or a higher frequency service, which should be more reliable – but which means having to change trains to reach their destination.

It is clear from the research that no single model of service design will suit all passengers all the time.

There are significant numbers of passengers who want (or need) a particular type of train service. For example, disabled passengers who find changing trains difficult will almost always prefer a model which favours direct trains, while commuters and those familiar with the rail network will often prefer a service which favours frequency and reliability. This shows just how difficult it is to balance the needs of all passengers when planning a timetable. However, it is important that the end result is realistic.

Therefore it is important that ScotRail engages and consults with passengers on timetables. Making changes to timetables is fraught with difficulty but equally no timetable can be set in stone. Passengers have changed their travel patterns since the pandemic – we are now seeing much more leisure travel and less commuting.

There are huge financial pressures on the railway. And there is a continuing need to improve punctuality and reliability – something all our insight shows is key to passenger satisfaction. How the railway approaches timetable changes matters, especially when major changes are being considered and long-established journey patterns are evolving. It is important to consult passengers and to explain why changes are being planned, how many people will be affected, and what is being done to mitigate issues.

Crucially, consultation also gives people the chance to have their say on how it might affect them. We believe that building this transparency in from the outset leads to better decisions.

**What Matters to Passengers** - We asked over 15,000 rail passengers across Great Britain to tell us what is important to them<sup>8</sup>. The research provides an importance ranking for twenty-five aspects of rail services and also shows how passengers think the railway is performing in each of those areas. This gives a clear view on what matters to passengers and where the railway should target investment and effort to meet passengers' aspirations.

What matters to passengers is broadly similar between nations. However, in Scotland getting a seat on a train and the trains being clean and well maintained are more important. Within Scotland, the value for money of tickets and sufficiently frequent trains are also of above average importance.

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<sup>7</sup> Changing trains versus direct trains – November 2022

<sup>8</sup> What matters to rail passengers – December 2022

The top ten attributes are:

Attribute	Rank
Price of train tickets offers value for money	1
Reliability and Punctuality	2
Sufficiently frequent trains	3
Getting a seat on the train	4
Accurate and timely information about train times	5
My personal security on the train	6
Being kept informed about delays and the options I might have	7
Inside of trains being clean and well-maintained	8
My personal security at stations	9
Quick journey times	10

How well ScotRail delivers these primary requirements goes a very long way in determining how passengers view the railway. The core product is key in determining passenger satisfaction, with punctuality having the biggest impact on overall satisfaction, followed by crowding and the level of cleanliness of the train.

**Stakeholder Advisory Panel** - ScotRail established an independent stakeholder advisory panel which had its first meeting in 2020. The main purpose of membership of the Advisory Panel is to provide strategic advice to the leaderships team of Scotland's Railway to ensure they have a better understanding of the needs of key stakeholders.

However, the establishment of Scotrail Trains Ltd presents a valuable opportunity to strengthen the voice of its users. As the train operating company moves into the public sector, having a mechanism in place to ensure that the people who use its services are at the heart of its business and its culture will enhance its accountability.

A properly constituted user challenge panel would influence the decision-making of the company at the earliest stage of its business planning cycle and have in place a clear framework to evaluate delivery of user priorities.

This would complement very well the retrospective accountability mechanisms that lie with Parliament. It would give Scottish Ministers transparency and confidence that the company was user-focused, and it would shed a light, at early stages, on where problems might be arising. Getting things right from the start is both efficient and effective.

Further details on the benefits of a user challenge panel are shown in Appendix A.

## APPENDIX A

### TRANSPORT FOCUS

#### SCOTRAIL TRAINS LTD – STRENGTHENING THE USER VOICE

The current ScotRail Stakeholder Panel is an advisory/sounding board body only. ScotRail is under no obligation to act on its views and report back on whether, and how, the Panel has influenced its decision-making.

Now is the time to learn from other sectors and industries, where public and private sector regulated bodies have established formally constituted challenge groups that go beyond participation or consultation to meaningful engagement i.e., influencing decision-making. These groups have been remitted to ensure that company business plans reflect the priorities of their users by engaging with them properly to understand those priorities and then demonstrating a “golden thread” to reflect the delivery of these priorities in user-focused outputs and outcomes. The groups have engaged with businesses to address the difficult trade-offs that often have to be made and ensure that these trade-offs are reached and decided upon transparently. These groups have not been overly burdensome or expensive - their job has been to “mark the homework” of the company, rather than doing the company’s job for them.

Potential purpose of a challenge panel could include, for example:

- Provide input and challenge to company Business Plans, priorities and activities, with a focus on the customer perspective
- Provide input and challenge to ScotRail Trains Ltd customer engagement and ensure that it’s part of decision-making processes and plans
- Help ScotRail Trains Ltd to become more stakeholder-led; demonstrating fairness, legitimacy and consumer-focus throughout the business – a critical friend.

The Panel would not be a decision-making body for ScotRail Trains Ltd and it would not undermine or cut across whatever governance arrangements are put in place as part of the new ownership model. The key component of any role for the Panel would be a requirement on ScotRail Trains Ltd to support the Panel to do its work, for example, a secretariat function, and to respond to the challenges posed by the panel – to be clear where the panel’s input has influenced, or not, decision-making and why. The purpose is to enhance transparency and maintain a focus on the user perspective.

Ministerial priorities will guide the strategic direction of ScotRail Trains Ltd, but it will have to make difficult trade-offs and decisions while managing limited resources and increasing expectations, against a background of Covid-19 recovery and the pathway to net zero. A User Challenge Panel should have members that represent their constituency and not their company. Members of a ScotRail Trains Ltd Panel could include Transport Focus as the statutory passenger body, group(s) representing the diverse interests of those who are more excluded or less well heard, a group with expertise in accessibility issues, small and large business user representatives, lower income households. It will need to include potential users and future users and ready to discuss intergenerational issues and include expertise in

sustainability/decarbonisation issues as well as a young person's representative. Differences in the needs of Scotland's urban, rural, remote and island communities will have to be taken into account.

Examples of Challenge Panels in other sectors or companies:

- **Scottish Water.** The regulator, WICS, Scottish Water and Consumer Focus Scotland set up an independent Customer Forum (now ceased) which negotiated the price settlement for water charges. Scottish Water has only recently established its own Independent Customer Challenge Panel to ensure it keeps its customers at the heart of its business planning and delivery.
- **Network Rail's Wales and Western Region** has just established a challenge group, chaired by Transport Focus, to ensure that passenger priorities are fed into its planning processes.
- **The Heathrow Consumer Challenge Board (CCB)** (2017-2020) was established to provide independent scrutiny and challenge to Heathrow Airport Ltd on the customer research and engagement underpinning its business plan. The CCB: provided its views on principles of good customer engagement to inform HAL's business planning; published a report in response to HAL's Initial Business Plan, setting out its view on the quality of engagement and the extent to which the plan (and, in particular, the target outcomes and performance standards within the plan) reflected the interests of customers; periodically provided Challenge Logs and 'RAG' ratings on particular topics.
- **Energy Networks** were required by Ofgem, as part of the price control process, to establish Customer Engagement (energy distribution) or User (energy transmission) Groups, with responsibilities to: provide challenge on: the company's overall priorities and approach; proposed outputs and the level of stretch in proposed improvements; the quality of stakeholder engagement; the approach and support provided to vulnerable consumers; the company's approach to innovation; what alternatives to the investment proposals the company has considered; any issues of particular relevance to the local region. The Groups submit independent reports covering the above areas. Part of the overall price control for some network sectors has been completed but the companies have voluntarily committed to retain the groups on an enduring basis.
- **Water Companies in England** were required by Ofwat, as part of the price control process, to establish Customer Challenge Groups (CCGs). CCGs were responsible for providing independent challenge to the company and assurance to Ofwat on the quality of the company's engagement and the degree to which this was reflected in the business plan. They highlighted areas of challenge and disagreement. The CCGs provided an independent report to Ofwat alongside the company business plan. Many companies have voluntarily committed to retain the groups on an enduring basis.

Time and again, Transport Focus has seen how maintaining a deep understanding of the experience and needs of consumers, and using this insight to drive business

change, can deliver vital improvements, and benefits, for both businesses and users. Independent challenge can help monopoly services become more user focused. When consumers and stakeholders have no choice, it is more important than ever for providers to hold themselves to account for understanding and responding to their needs. (Please see the Annex, overleaf, on the Business Benefits of Good Consumer Engagement).

## **ANNEX**

### **The Business Benefits of Good Consumer Engagement**

There is clear reputational advantage that arises from understanding properly, acting on, and being seen to act on, what consumers need and want. But building sustainable brand-enhancing consumer trust will only happen if there is a strategic best practice approach and a “golden thread” of consumer insight being used across the business to improve outcomes for consumers. If this is done properly, and at the earliest stages of business planning, other business benefits will automatically ensue.

Embedding timely consumer insight brings efficiencies through getting the service design and delivery right from day one. Complaints, and the costs of resolving them, will fall. The insights gained helps organisations identify potentially critical service issues quickly by providing an early warning system. And, as the pace of the path to net zero/decarbonisation quickens, consumer insights, understanding consumer behaviour and assessing consumer impacts are now critical elements of effective, no regrets, decision-making and the avoidance of unintended consequences and unnecessary and wasteful cost.

Organisations with a continuous source of consumer insight have a sounding board from day one. This improves the quality of decision-making by bringing that wider perspective to the table and, by doing so, provides a clearer rationale that a company can use to explain why it has taken the decisions that it has. And if trade-offs are necessary, the process has been evidence-based and transparent, and it is seen to have been done for the right reasons. This makes for both sustainable decision-making and business benefits.

Using consumer engagement and insight to understand and address consumer vulnerability is, of course, critical for truly accessible transport. But in addition, that understanding brings wider benefit. The experiences and insights of consumers in vulnerable situations can be an early touchstone for identifying wider, systemic problems. Companies that pro-actively identify and tackle issues affecting vulnerable consumers at the earliest possible stage will prevent the same problems cascading out to the wider consumer population. Therefore, delivering on consumer vulnerability makes business sense, makes for better services and enhances reputational advantage. It can underpin the design, planning and delivery of all services because it recognises early the efficiencies it can bring to processes which help keep the cost of services down for everyone. There are workforce benefits too because supporting employees to help vulnerable consumers enhances their engagement with the company.

So, effective consumer engagement makes for a monopoly service that has its consumers at the very heart of its strategic focus and its delivery. But this will not

work for the business in the long term if the approach is solely about “ticking the box”. This has to be an ongoing process that is embedded across the business. Organisations have to see, and understand it, as integral way of adding value and not as an onerous burden, nor an expensive add-on.

In short, any leading company that delivers services to consumers must understand their needs and deliver insights that inform decisions across the organisation on a continual basis. Effective consumer engagement must be led from the top of the business. It requires leadership and organisational commitment to listening to, and acting on, consumer insight, and demonstrating that it has made a difference and brought mutual benefits to consumers and the business.