

Dispute Party: MTR Corporation (Crossrail) Limited

Timetable Dispute: HAL/TTP003

Claimant Submission

29 September 2021

Details of Parties

The names and addresses of the parties to the reference are as follows:-

- 1.1 **MTR Corporation (Crossrail) Limited,** whose Registered Office is at Providence House, Providence Place, London, N1 0NT ("MTR") ("the Claimant").
- 1.2 **Heathrow Airport Limited**, whose Registered Office is at The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW ("HAL") ("the Defendant").
- 1.3 **Heathrow Express Operating Company Limited,** whose Registered Office is at The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW ("HEOC").
- 1.4 **Network Rail Infrastructure Limited,** whose Registered Office is at 1 Eversholt Street, London NW1 2DN ("NR").
- 1.5 **First Greater Western Limited**, whose Registered Office is at Milford House, 1 Milford House, Swindon, SN1 1HL.

2 The Claimant's' right to bring this reference

2.1 This matter is referred to a Timetabling Panel ("the Panel") for determination in accordance with Condition D5.1 of the HAL Network Code.

3 Contents of reference

- 3.1 This Sole Reference includes:
 - (a) The background to the dispute in Section 4;
 - (b) A detailed explanation of the issues in dispute in Section 5;
 - (c) In Section 6, the decisions sought from the Panel in respect of legal entitlement and remedies; and
 - (d) Appendices and other supporting material.

4 Subject matter of Dispute

- 4.1 This dispute relates to the allocation of capacity on HAL infrastructure for the December 2021 Working Timetable.
- 4.2 This dispute arises over the decision by HAL not to honour MTR's Firm Rights (as described in D1.1.11 of the HAL Network Code (the **Network Code**)) between the Heathrow Airport Junction Connection Point and Heathrow Terminal 5 and reflected in Table 2.1 of Schedule 5 of the Track Access Contract between MTR and HAL dated 17 May 2018. These rights have been effective since the Principal Change Date in December 2019 and subsist until the Subsidiary Change date in May 2028.
- 4.3 In doing so, HAL has not made it clear that they have followed the requirements of Network Code Part D Condition D4.2 in the development of the timetable or varied MTR's firm rights by correctly applying the Decision Criteria (D4.6).

4.4 Background

- 4.4.1 On 23 April 2020, HAL advised MTR that Heathrow Terminal 4 would be closing for an indefinite period of time due to the pandemic. HAL has indicated that Heathrow Terminal 4 may reopen in early 2022 but this has not been confirmed.
- 4.4.2 The rail industry is currently working pursuant to a revised timetable planning process in light of the COVID-19 pandemic (the **Change Strategy**). The Change Strategy has resulted in a revised timeline for the agreement of the December 2021 timetable. As evidenced by this dispute (and discussed further below) this revised process has created some uncertainty as to whether or not the original timelines in the Network Code still apply or are amended by the Change Strategy. MTR does not believe the impact of the Change Strategy on the Network Code was clearly communicated to operators and neither HAL nor Network Rail appears to be clear between themselves on this issue.
- 4.4.3 MTR submitted a proposal for the December 2021 timetable on 5 March 2021 (the D-40 Priority Date under the original terms of the Network Code), which consisted of:
 - (a) a two trains per hour service in each direction, 7-days a week, between the Heathrow Airport Junction Connection Point and Heathrow Terminal 4 station via Heathrow Terminals 1-3 (CTA) station. This was on the assumption that Heathrow Terminal 4 station would reopen in early 2022, although this has not been confirmed; and
 - (b) a two trains per hour service in each direction, 7-days a week, between Heathrow Airport Junction Connection Point and Heathrow Terminal 5 station via Heathrow Terminals 1-3 (CTA) station.

MTR's rationale for this submission is set out in Paragraph 5 below.

- 4.4.4 On 9 July 2021, MTR made a further timetable submission to align with the Change Strategy, on the basis that this date constituted the revised Priority Date. MTR understand that HEOC also submitted a timetable bid at this time. Whilst this date would, under the original Network Code timings, have constituted a submission after the publication of the New Working Timetable, this had been delayed under the Change Strategy to 27 August 2021.
- 4.4.5 MTR's submission maintained its request for a two trains per hour service in each direction, 7-days a week, between the Heathrow Airport Junction Connection Point and Heathrow Terminal 4 station via Heathrow Terminals 1-3 (CTA) station and a two trains per hour service in each direction, 7-days a week, between Heathrow Airport Junction Connection Point and Heathrow Terminal 5 station via Heathrow Terminals 1-3 (CTA) station.
- 4.4.6 During the subsequent Change Strategy process, it became apparent that Heathrow Terminal 4 was unlikely to open at the December 2021 timetable change. In order to protect capacity, and reduce the level of late timetable change, a pragmatic discussion took place between MTR, Network Rail and HAL concerning the December 2021 timetable.
- 4.4.7 During these discussions it was agreed that services between Paddington and Heathrow Terminal 4 would terminate at / start from Hayes & Harlington, but would be

extended to Heathrow Terminal 4 via Heathrow Terminals 1-3 (CTA), once Heathrow Terminal 4 station reopened, and that Network Rail and HAL would protect the capacity in the meantime. Prior to the timetable offer, HAL wrote to MTR (and HAL) on 8 August 2021 (*see Appendix 3*), explaining the capacity constraint at Heathrow Terminal 5 and requesting that MTR amend its timetable proposal to operate all of its services to Heathrow Terminals 1-3 (CTA) station (then as empty coaching stock to Terminal 4 to reverse). On 13 August 2021 MTR responded to HAL to confirm its request to operate two trains per hour in each direction between Paddington and Heathrow Terminal 5, seven days a week (*see Appendix 4*).

- 4.4.8 MTR received the timetable offer from HAL on 13 August 2021, which consisted of:
 - (a) a two trains per hour service in each direction SX, Saturdays and Sundays between Paddington and Hayes & Harlington (to be extended to Heathrow Terminal 4 once that station reopens).
 - (b) a two trains per hour service after 20:00 SX and on Saturdays and Sundays between Heathrow Airport Junction and Heathrow Terminal 5 station via Heathrow Terminals 1-3 (CTA) station.
 - (c) a two trains per hour service before 20:00 SX and on Saturdays and Sundays between Heathrow Airport Junction and Heathrow Terminal 4 station via Heathrow Terminals 1-3 (CTA) station.
- 4.4.9 The timetable offer and the subsequent New Working Timetable published on 27 August 2021 did not honour the Firm Contractual Rights held by MTR for two trains per hour in each direction SX before 20:00, between Heathrow Airport Junction Connection point and Heathrow Terminal 5, and instead these services were diverted to Heathrow Terminal 4.
- 4.4.10 On 9 September 2021, HAL provided an assessment document relating to the New Working Timetable (the HAL Assessment). This set out HAL's views on the Change Strategy and how the Network Code should be interpreted in light of the Change Strategy. It also set out the basis on which HAL had allocated capacity and how it had sought to apply the Decision Criteria. None of this information was provided to MTR during the timetable development process. MTR contends that HAL has failed to properly apply the Decision Criteria in accordance with Conditions D4.2 and D4.6 of the Network Code and not achieved the objective of sharing capacity to Heathrow Terminal 5 in the overall interests of users and providers.
- 4.4.11 The following documents are provided in support of the above comments:-
 - (a) MTR Elizabeth Line Principal 2022 Priority Date Notification Statement (D-40) (see Appendix 1).
 - (b) The timetable submission at D-22 (in line with the Change Strategy) and prior to issue of the New Working Timetable which had been delayed under the Change Strategy (*see Appendix 2*).
 - (c) Letter from HAL to MTR on 8 August 2021 (see Appendix 3).
 - (d) MTR response on 13 August to the HAL letter of the 8 August (see Appendix 4).

- (e) The timetable offer (see Appendix 5).
- (f) MTR to Network Rail timetable offer clarification email (see Appendix 6).
- (g) HAL to Network Rail letter concerning the timetable offer (see Appendix 7).
- (h) MTR to HAL letter concerning the timetable offer (see Appendix 8).
- (i) The HAL Assessment document (see Appendix 9).
- (j) MTR assessment of the Decision Criteria applied in the HAL assessment document (*see Appendix 10*).
- (k) The current HAL Network Code dated 2017 (downloaded from the HAL website) (*see Appendix 11*).
- (I) An extract from the MTR Track Access Contract with HAL (Schedule 5, Table 2.1) (see Appendix 12).

5 Explanation of each issue in Dispute and the Claimant's arguments to support its case

5.1 D-40 Submission and correct Priority Date

- 5.1.1 When submitting a proposal on 5 March 2021, MTR was unclear as to whether the timings in the Network Code had been formally amended by the Change Strategy. MTR therefore submitted on this date as a precaution, to ensure that it was not subsequently deemed to have failed to comply with the Network Code. At this time, HAL had indicated that Heathrow Terminal 4 may reopen in early 2022. MTR's submission for December 2021 was for two trains per hour in each direction between the Heathrow Airport Junction Connection Point to Heathrow Terminal 4 and two trains per hour in each direction to Heathrow Terminal 5, all day SX, Saturdays and Sundays. MTR has Firm Rights in its Track Access Contract with HAL for this level of service.
- 5.1.2 No New Working Timetable was published on 11 June 2021 (the D-26 date under the original Network Code timeline) and MTR regarded this as confirmation that the Change Strategy had, in effect, amended the timings under the Network Code.
- 5.1.3 Acting in the best interests of the rail industry and following pragmatic discussions with Network Rail and HAL, MTR agreed to modify its timetable during the Change Strategy's timetable development period, to curtail the Paddington Heathrow Terminal 4 service at Hayes & Harlington until such time as Heathrow Terminal 4 reopens. However, MTR continued to reiterate its intention to exercise its firm contractual rights for two trains per hour in each direction between Paddington and Heathrow Terminal 5 all day SX, Saturday and Sunday. This was reflected in MTR's Access Proposal submitted on 9 July 2021, to comply with the revised Priority Date under the Change Strategy. As a consequence, MTR agrees with HAL's view that the D-40 submission should be disregarded for the purposes of this dispute.

5.2 Application of original Network Code timing requirements

5.2.1 In the HAL Assessment, consideration is given to the possibility that the timings under Part D of the Network Code remain un-amended by the Change Strategy and that, as

a consequence, the Parties' various submissions and offers should be considered in the context of the original Part D timeline. Whilst acknowledging that the outcome (in HAL's view) is the same in each case, HAL appears to say that the correct approach is to consider the MTR and HEOC timetable bids by reference to the timing requirements in the original Network Code.

- 5.2.2 In MTR's view, applying the original Part D timeline in the present case would be inconsistent with the Parties' actions and also produce an illogical outcome. MTR's principal arguments in support of this view are as follows:
 - (a) **HEOC's lack of submission at D-40**: As acknowledged in the HAL Assessment, HEOC did not submit an Access Proposal at D-40. As explained in paragraph 5.1.1 above, MTR only did so as a precaution.
 - (b) **No New Working Timetable publication at D-26**: HAL did not publish a New Working Timetable on D-26 as would have been expected under Part D of the Network Code.
 - (c) MTR and HAL's submissions after D-26: Both MTR and HAL submitted Access Proposals after D-26 in accordance with the Change Strategy. If the original Network Code timings are applied, MTR believe these would have to be treated as Train Operator Variation Requests (TOVRs). However Condition D3 of the Network Code, which applies to TOVRs, assumes that the New Working Timetable has already been published in order for any such proposals to constitute a TOVR; the New Working Timetable had not been published at this point.
- 5.3 MTR therefore believe that applying the original Network Code timings in any meaningful manner is not possible and is incompatible with the factual reality. MTR contends that Part D of the Network Code should be considered in light of the Change Strategy timings and the Parties' adherence to these timings.

5.4 Establishing the order of priority between MTR and HEOC

- 5.4.1 MTR received a timetable offer on 13 August 2021 (D-17) as described in paragraph 4.4.8 above.
- 5.4.2 MTR were not offered the two trains per hour in each direction to Heathrow Terminal 5 before 20:00 SX that MTR had requested and were instead offered an additional two trains per hour in each direction to Heathrow Terminal 4 before 20:00 SX. This offer was subsequently included, without any amendment to address MTR's concerns, in the New Working Timetable published on 27 August 2021.
- 5.4.3 In compiling the New Working Timetable, HAL must act in accordance with the duties and powers set out in Condition D4.2 and D4.6. HAL also has certain duties within its Track Access Agreement equivalent to those found in Network Rail's network licence. These include operating the HAL network with the intention of satisfying the reasonable requirements of persons providing services relating to railways and Transport for London.
- 5.4.4 HAL's Flexing Rights to vary MTR's Train Slots are only exercisable insofar as they are within and consistent with the Exercised Firm Rights. There is no contingency

associated with MTR's Firm rights and HAL's Flexing Rights therefore do not allow for their variation or rejection.

- 5.4.5 Condition D4.2.1 requires that, in compiling the New Working Timetable, HAL must apply the Decision Criteria in accordance with Condition D4.6 and conduct itself as set out in Condition D.4.2.
- 5.4.6 Condition D4.2.2 sets out a series of principles that HAL must apply when dealing with Access Proposals and an order of priority where the first three of these principles have been applied. The HAL Assessment document argues that, in all the scenarios contemplated by it, MTR and HEOC's submissions rank equally for the purposes of D4.2.2. MTR does not dispute this analysis and acknowledges that, as a result, Condition D4.6 is critical in determining the outcome of the competing Firm Access Rights.

5.5 Achievement of the Objective and application of the Decision Criteria

- 5.5.1 Condition D4.6.1 states that HAL's objective in deciding any matter in Part D is to share capacity on the HAL infrastructure for the safe carriage of passengers in a non-discriminatory, efficient and economical manner in the overall interest of current and prospective users and providers of railway services (the **Objective**). In achieving the Objective, Condition D.4.6.2 requires a number of considerations (the **Considerations**) to be taken into account. Together, the Objective and the Considerations constitute the Decision Criteria.
- 5.5.2 HAL's application of the Considerations to achieve the Objective are set out in the HAL Assessment. In MTR's view, the HAL Assessment fails to satisfy HAL's obligations under D4.6 of the Network Code. MTR's detailed assessment of the HAL Assessment is set out below and in *Appendix 10*. The HAL Assessment does not, in MTR's view, appear to represent the view of an infrastructure manager acting in a non-discriminatory manner. The issues highlighted in the HAL Assessment focus almost exclusively on arguments that support HEOC being granted priority in the allocation of capacity. Regardless of whether or not the Decision Criteria have been correctly applied, MTR would expect to see at least some recognition of the arguments in favour of both Parties when taking into account the Considerations and the HAL Assessment fails to weigh up the Parties' competing positions in a balanced and non-discriminatory manner.
- 5.5.3 For ease of reference, Condition 4.6 of Part D is set out in full below:

"4.6.1 Where HAL is required to decide any matter in this Part D its objective shall be to share capacity on the HAL infrastructure for the safe carriage of passengers in a non-discriminatory, efficient and economical manner in the overall interest of current and prospective users and providers of railway services ("the Objective").

4.6.2 In achieving the Objective, HAL shall apply any or all of the considerations in paragraphs (a)-(h) below ("the Considerations") in accordance with Condition D4.6.3 below:

(a) maintaining, developing and improving the capability of the HAL infrastructure;

(b) that the spread of services reflects demand;

(c) maintaining and improving train service performance;

(d) that journey times are as short as reasonably possible;

(e) maintaining and improving an integrated system of transport for passengers;

(f) the commercial interests of HAL (apart from the terms of any maintenance contract entered into or proposed by HAL) or any Timetable Participant of which HAL is aware;

(g) mitigating the effect on the environment; and

(h) enabling operators of trains to utilise their assets efficiently.

4.6.3 When applying the Considerations, HAL must consider which of them is or are relevant to the particular circumstances and apply those it has identified as relevant so as to reach a decision which is fair and is not unduly discriminatory as between any individual affected Timetable Participants or as between any individual affected Timetable Participants and HAL. Where, in light of the particular circumstances, HAL considers that application of two or more of the relevant Considerations will lead to a conflicting result then it must decide which of them is or are the most important in the circumstances and when applying it or them, do so with appropriate weight.

4.6.4 The Objective and the Considerations together form the Decision Criteria."

- 5.5.4 MTR wishes to operate two trains per hour in each direction to Heathrow Terminal 4 and two trains per hour in each direction to Heathrow Terminal 5, all day SX, Saturdays and Sundays. These services will offer a direct service to Heathrow Terminal 5 from the intermediate stops between Paddington and Heathrow CTA.
- 5.5.5 These services will provide various interchanges with other bus and rail routes including connections at Hayes and Harlington for passengers travelling to and from Reading and stations to the west; and connections at Ealing Broadway with the Central and District lines.
- 5.5.6 These services are intended to complement the more expensive (with reference to the fares available to customers) non-stop express services between Heathrow Terminal 5 and London Paddington offered by Heathrow Express. They also offer an alternative to London Underground services on the Piccadilly line. They are an important part of the Crossrail project and the value the project is designed to realise for the travelling public, wider economy and funders.
- 5.5.7 The proposed MTR services offer customers real choice and complement the Heathrow Express services. There is evidence that they are what customers want. Failure to fulfil MTR's firm rights reduces intermediate and interchange travel opportunities, denies the local community and airport workers the ability to use an environmentally friendly and more affordable method of transport, and risks jeopardising modal shift to greener transport.
- 5.5.8 In short, MTR contends that HAL has (i) failed to achieve the Objective; (ii) not properly applied all relevant Considerations; (iii) not reached a decision that is fair and which is not unduly discriminatory; and (iv) not applied appropriate weight to the relevant Considerations.

5.6 Failure to achieve the Objective

5.6.1 MTR submits that HAL has failed to achieve the Objective specified in Condition 4.6.1.

- 5.6.2 Capacity to Heathrow Terminal 5 has not been shared at all and appears to be exclusively reserved for HEOC. MTR believes that there is sufficient capacity (see HAL Network Statement –see *Appendix 20*) to allow for a shared set of services, with two HEOC trains per hour and two MTR trains per hour to T5 that best meets the interests of rail and air passengers (and staff) travelling to and from Heathrow Terminal 5.
- 5.6.3 There is nothing to suggest that shared allocation would be unsafe or impact performance. Indeed, if MTR doesn't have its Firm Rights to Heathrow Terminal 5 honoured and Heathrow Terminal 4 does not reopen as suggested in early 2022, MTR will need to consider the performance implications of terminating four services an hour at Heathrow Terminals CTA and may need to consider other options in order to protect both TfL Rail and Heathrow Express performance. There will also be a negative impact on MTR's passengers, who will have to change trains in order to reach Heathrow Terminal 5, potentially increasing the performance risk due to the number of passengers changing trains.
- 5.6.4 There is an apparent absence of any balanced consideration of the individual merits of the HEOC and MTR services in the assessment of the Considerations provided by HAL. There is no analysis of the potential benefits of sharing capacity to Heathrow Terminal 5 or the impact on MTR, TfL and the public, of not sharing that capacity. For instance, HAL focuses exclusively on airline passengers travelling to and from Paddington, but does not appear to have considered airport workers (who will benefit from a direct MTR service to both Terminal 4 and Terminal 5), or airline passengers travelling from Reading and the west or via Ealing Broadway, who will have a reduced number of changes to reach Terminal 5 before 20:00 SX under the MTR proposals. It is difficult to see how the assessment has been undertaken in a non-discriminatory, even handed manner or led to a non-discriminatory outcome.
- 5.6.5 It is not in the overall interests of current and prospective users (i) to have limited choice both in terms of intermediate and integrated travel opportunities and price, (ii) to have to change at Heathrow Terminals 1-3 (CTA) station, with in many cases extensive luggage and a wait for a connecting service to Terminal 5 of typically 11 to 12 minutes, substantially reducing the attractiveness of MTR services to the airport; (iii) to limit opportunities for the local community and airport workers to use an environmentally friendly and more affordable method of transport; (iv) to precipitate modal shift to road or at least slow modal shift to rail.

5.7 Application of the Considerations

- 5.7.1 HAL's application of the Considerations was provided to MTR on 9 September 2021 after publication of the New Working Timetable on 27 August 2021 and was not provided at any point during the timetable decision making process.
- 5.7.2 In *Appendix 10*, MTR provides a detailed response to HAL's assessment of the Decision Criteria Considerations and HAL's contention that its decision achieves the Objective.
- 5.7.3 In summary, MTR considers that HAL has not applied the Considerations so as to reach a decision which is fair and not unduly discriminatory. MTR has already explained how it believes the assessment and application of the Considerations do not appear to include a proper consideration of the alternative outcome of shared capacity to T5 and what that would mean in terms of the overall interests of the

travelling public. It has also explained why it thinks the decision isn't fair and nondiscriminatory.

- 5.7.4 In its detailed response to HAL's assessment, MTR has provided evidence in support of its assessment, including about passenger sentiment, preferences and likely behaviours, such as the deterrent effect from using the train associated with a need to change services as well as the importance of ticket prices. Little regard appears to have been given to the fact that MTR's proposal also supports one of the objectives of the Heathrow 2.0: Heathrow Plan for Sustainable Growth; Objective 7.1, by providing additional connections to Terminal 5 with only one change of train. Equally, little regard appears to have been given to the fact that a majority of TfL Rail stations are now 'step free' which means that passengers with disabilities, as well as those with luggage and children, can easily access TfL Rail services, and under MTR's proposals travel directly to all of the terminals at Heathrow without the need to change trains again.
- 5.7.5 MTR also notes that HAL does not consider that there is any environmental impact and has therefore not applied this particular Consideration in any detail. MTR believes this is wrong and considers this to be of great importance. Analysis undertaken by TfL and HAL (see Appendices 14 to 18) highlights the need for modal shift to rail and other forms of public transport (especially in light of the climate crisis and the 26th UN Climate Change Conference (COP26) taking place in Glasgow this autumn). There are strong environmental benefits associated with the MTR proposal, as it will increase connectivity to Heathrow Airport and contribute towards the Heathrow surface transport strategy.

5.8 Fairness and appropriate weighting

5.8.1 MTR struggles to see how HAL's decision is fair and not unduly discriminatory. As noted above, the application of the Considerations focuses almost exclusively on arguments in favour of the disputed capacity being awarded to HEOC. There is little evidence that MTR's position has been taken into account or given appropriate weight. Furthermore, one Consideration which MTR believes to be relevant – the environment - has been given little if any weight at all. MTR considers that HAL's application and assessment of the Considerations (as well as the whole timetabling process it has followed) doesn't meet the contractual and regulatory standard of conduct reasonably expected of it, particularly in terms of efficiency, timeliness, and skill, as well as fairness and non-discrimination.

6 Decision sought from the Panel

6.1 For the December 2021 Timetable, MTR requests the panel to direct HAL to honour the existing MTR Firm Rights (of two trains per hour in each direction to and from Heathrow Terminal 5) on weekdays before 20:00.

The Claimant confirms that it has complied with Access Dispute Resolution Rule H21.

7 Signature

For and on behalf of MTR Corporation (Crossrail) Limited

Signed

Print Name

Jonathan James

Position

Head of Contract Management

APPENDICES

- Appendix 1 MTR Principal 2022 Priority Date Notice Statement (D-40) (5 March 2021).
- Appendix 2 MTR December 2021 Timetable Intervention bid (9 July 2021).
- **Appendix 3** Letter from HAL to MTR concerning the December 2021 timetable bid (8 August 2021).
- Appendix 4 Letter from MTR to HAL concerning the December 2021 timetable bid (13 August 2021).
- Appendix 5 The December 2021 timetable offer (13 August 2021).
- Appendix 6 MTR to Network Rail timetable offer clarification email (16 August 2021).
- Appendix 7 Letter from HAL to Network Rail concerning the timetable offer (27 August 2021).
- Appendix 8 Letter from MTR to HAL concerning the timetable offer (1 September 2021).
- Appendix 9 HAL new Working Timetable Assessment document (9 September 2021).
- Appendix 10 MTR assessment of the HAL application of the Decision Criteria.
- Appendix 11 HAL Network Code 2017.
- Appendix 12 Extract from HAL / MTR Track Access Contract.
- Appendix 13 Heathrow Rail Fares.
- Appendix 14 Crossrail Research Qualitative Summary November 2015.
- Appendix 15 Crossrail Heathrow Express research.
- Appendix 16 Modal Shift paper.
- Appendix 17 Customer research on interchanges.
- **Appendix 18** Heathrow sustainable growth plan.
- **Appendix 19** Heathrow Airport Expansion consultation.
- Appendix 20 2020 Heathrow Airport Network Statement (consultation version).
- **Appendix 21** Heathrow Framework Capacity Statement 2018.
- Appendix 22 Train performance graph
- Appendix 23 Map