

APPENDIX A – TERMS OF REFERENCE

Heritage Railways - Independent Review & Economic Impact Assessment Terms of Reference

Background

In 2018 Isle of Man Treasury commissioned the SYSTRA Ltd. review (Review of Isle of Man Heritage Railways, contained in [SAVE Progress Report June 2018-GD 2018/0030](#)) of the current operation and future development of the Island's heritage railways. These include the Isle of Man Railway, the Manx Electric Railway, the Snaefell Mountain Railway and the Douglas Bay Horse Tramway.

This review was part of the broader Savings, Added Value and Efficiencies (SAVE) programme conducted across the Isle of Man Government. It focused on the existing costs and revenues attributable to the heritage railways and the resulting subvention required to support operations, as well as assessing how the existing position could be improved including considerations of alternative delivery models. The economic value of the railway to the Island's economy was also examined.

It has been decided to commission a further Independent Review and Economic Impact Assessment to evaluate the operations of the heritage railways five years on since the SYSTRA Report findings and recommendations.

Contexts for this assessment include the parallel considerations of the future operation of bus services and fleet services (**Appendix 1**), review of the Department of Infrastructure (**Appendix 2**) and the pressures under which public finances and the economy are operating.

Objective

This review and impact assessment should answer key questions about the value of the heritage railways and how the benefits arising from their operation compare to the costs. It should also review the current operating model of the heritage railways as a publically owned and operated entity, their location within the Department of Infrastructure, and future potential use of the railways and railway lines.

Specifically:

- To evaluate the operations of the heritage railways, especially during the five years since the SYSTRA Report findings and recommendations (making required adjustments to reflect the pandemic), and to determine whether they

- are being governed, organised and operated optimally and if not, to make recommendations for change; and
- To estimate the true value of the heritage railways and how the benefits arising from their operation compare to the costs.

Governance

The review will be sponsored by the Minister for Infrastructure. The contact officer for the review and impact assessment will be Joanne Taylor, who is able to act under the authorisation of the Minister.

The contracted consultants will need to engage with the Island's voluntary heritage railways associations, Statistics Isle of Man, Department for Enterprise/Visit IOM, Manx National Heritage, Treasury, the Attorney General Chambers, Manx Heritage Foundation and other relevant bodies, as well as the management and technical staff responsible for heritage railways. Such groups are clearly key stakeholders and will be able to provide supporting information on the local context of the Isle of Man Heritage Rail offering.

The information provided will be used to present options to Council of Ministers on the future operations of the Island's heritage railways, using clear financial data and including viable alternative operating models if appropriate.

Scope

This Heritage Railways Independent Review and Economic Impact Assessment should provide:

- Review and estimation of the true value of heritage railways, and how this compares to the value of heritage railways elsewhere, including measurement of the value of direct and indirect off- and on-Island tourist and other leisure user expenditure;
- Evaluation of whether the heritage railways could be used to provide regular passenger and freight services given the costs and benefits;
- Identification and analysis of the revenue and capital costs of operating each element of the heritage railways in 2022/2023, and how these compare between themselves, vary since SYSTRA estimated them in 2018, and stack up against comparator heritage railways elsewhere, with recommendations;
- Benchmarking and other analysis to clarify the appropriate level of investment in the track, rolling stock and the promotion proposition that is needed for a heritage rail network of this type, and how this compares to current investment here;
- Analysis of the nature, extent and justification of the public subvention to heritage railways, and how this compares to any public subvention provided

to heritage railways elsewhere, taking into account such things as the availability of UK lottery funding, legacies and other grants;

- Comparison to other heritage railways of fares and other revenue opportunities, such as required car parking, inclusion in travel and leisure cards, and retailing and other revenue raising, and recommendations about pricing and revenue policy;
- Consideration of how Department of Infrastructure, Department for Enterprise, Manx National Heritage and other public bodies could or should be involved in heritage railways governance, funding and operations;
- Evaluation of other organisational structures including charity and foundation status, for fundraising and operations, and how the Island's heritage railways associations and volunteers are involved currently, and could be involved;
- Benchmarking of the terms and conditions of the human resources employed on the Island's heritage railways and to what extent volunteers could be used;
- Analysis of the cost benefit viability of each major section of the railway on a standalone and combined basis, including evaluation of the impact of the length of the horse tramway and extending Manx Electric Railways operations to the War Memorial;
- Evaluating the appropriateness of the timetable, including in particular the operating period and the number of scheduled services for each element of the heritage railways; and
- Consideration of the alternative use of any railway assets found to be no longer required.

Reporting

A final review and EIA will be provided by the end of June 2023 and will be compiled being fully cognisant of the review also being conducted by Manx National Heritage into the value of heritage to the island.

Future Operation of Transport Services Division

In December 2022, Transport Services Division employees were advised of proposed changes to how the division functions; specifically what does the future hold, and how will it affect those who work in this division of DOI.

Transport Services Division as it currently stands is a group of 3 teams- Bus, Rail and Shared Fleet Services. Historically, a Director of Transport Services has had managerial responsibility across all 3 areas and has determined the transport strategy for the division as a whole. While determining the future is ongoing, one matter which has been confirmed is that this role will not be filled going forward.

Whilst the reasoning for operating in this way are valid, as there are definite synergies between the three areas of Transport Services Division, it has become clear that moving to separate operations will have distinct advantages to the department, primarily from a cost auditing perspective. The services are tightly interwoven, which does present some benefits in relation to shared resource and knowledge, however it also means that it is extremely difficult to articulate precisely what each service costs, or to determine with any clarity what revenue each generates, and consequently, where efficiencies could be made.

The need to provide safe, efficient and reliable transport for the Island remains, but the new reality is the need to keep an ever tighter control on costs. Avoiding unnecessary expense and waste is a priority for the organisation as a whole.

Accordingly, in the short term, the vision is that there will be three service leads heading up the three service delivery areas. Job Descriptions for the bus and rail positions are currently being finalised and there are interim senior officers in place to lead all elements of the Bus and Heritage Rail separately, reporting directly to the Departmental Chief Officer.

Leadership of Shared Fleet Services is unchanged, however this service will now be managed from Central Services and Change Division reporting into the Deputy Chief Officer.

As a consequence of this, there will be some changes to some individuals' reporting lines, however this applies to a very small number. There are no planned changes to location for any employees involved.

There are some other more operational issues to address as the transition progresses, however this is the first step towards establishing distinct service provision in each area.

It is further proposed that an advisory board is established over Bus Vannin and Heritage Rail, to ensure additional support is provided to the existing Heads of Service, and to drive forward the objectives laid out in the department plan.

Review of the Department of Infrastructure

The Department of Infrastructure (DOI) has responsibility for a range of functions that are fulfilled by seven divisions; Highways Services, Public Estates and Housing, Transport Services, Airport, Harbours, Flood Risk Management and Central Support and Change.

Following the [Beamans Review](#) into the capacity and capability of the department that reported in 2021, a number of weaknesses were identified in relation to the effectiveness of service delivery. The report recommended that consideration should be given to reorganising the department to make it more refined and focused, *'as the current organisational and management structure is unsuited to supporting the work of a delivery oriented department'*.

The Beamans report further noted that the DOI *'consists of a number of large, diverse service delivery functions which have some synergies but are largely distinct. Put simply they are separate, identifiable, discrete operating units'*.

In order to address this, the department is making internal operational changes and considering how to transition; in the first instance focussing on the Airport and Transport Services Division.

In relation to the airport a 'shadow' board has been established and has been meeting monthly since December 2022. This purpose of the board is to report on the principle of the creation of an alternative operating model to take responsibility for the operation of the Isle of Man Airport by April 2024.

A further board is being established over Bus Vannin and Heritage Rail to drive the development and delivery of the objectives in the Island Plan and Departmental Plan relevant to bus and rail transport, and provide direction for, and oversee, the performance of bus and rail operations.

Whilst these changes do not reduce the size of the department, having additional oversight and direction that is not wholly reliant on the centre should improve the viability, decision making, transparency and governance in these areas.

