

## ORR consultation on the system operation role within Network Rail

1. Freight on Rail thanks the ORR for this opportunity to comment on the system operation role within Network Rail (NR).
2. Freight on Rail, a partnership of the rail freight industry, the transport trade unions and Campaign for Better Transport, works to promote the economic, social and environmental benefits of rail freight to local, devolved and central Government in the UK and to the European Commission, Parliament and Council of Ministers.
3. Dieter Helm, an industry commentator, acknowledged in his recent paper *-What to do about the railways, in the section on the case for a system operator that " Someone needs to be in charge to make sure the system as a whole is considered.*

#### 4. Summary

Freight on Rail believes that the System operation function within NR is crucial for rail freight and will explain the reasons in our response below. However, the consultation should spell out in more detail what the system operator should do. There is frequent reference to trade off's, capacity management, incentives etc. but no real clarity on how that would all fit with politically devolved routes for example.

As NR's routes become increasingly devolved, and the ambitions for political as well as geographical devolution of transport increase, the need to better define and structure these functions is ever more pressing.

Therefore, we believe that more definition of system operation is needed to be carried out in a number of stages.

- i) What are the essential functions of a system operator – and in consequence of devolved routes and other bodies?
- ii) Where are these choices between functions in system operation or in devolved routes and what might be the merits or hazards of different choices for different parties?
- iii) How will the interfaces between system operator and devolved bodies work in an efficient manner?
- iv) What structures (including incentives) are necessary to enable system operations to become more effective than today?
- v) What information is necessary to support these considerations?

Fundamentally, it is needed at national level to ensure national co-ordination and the necessary system planning of the overall system as very little of the railway is separate and discreet. Devolution makes this role even more key.

NR is in charge of signalling and the track and it has an overriding command and control function. The system management function within Network Rail (NR) is fundamental to providing a system in which the



needs of all the different users, including the rail freight and open access operators, are taken into account.

As well as ensuring that rail freight is not overlooked in any other restructuring of the industry, the Government needs to make sure that the system operation function caters for rail freight. Devolution, both Government and industry, present challenges for rail freight as it is a network-wide industry. The vast majority of rail freight flows cross regional boundaries so that is why nationwide access and timetabling and possession planning must be managed centrally by the system operation. The Network Rail consultation – *Improved reporting of our network system operator activities* – explains this precisely on Page 4. *Managing the operation of core routes across multiple management units of its network*

*Examples of the first of these include long distance passenger services, for instance, passenger services of the CrossCountry franchise operator over 7 separate NR rail routes; conversely the London North Western Route has 14 different passenger and freight operators running on its infrastructure, each with services that cross into neighbouring routes.*

*The consultation states that the network benefits are ven more obvious for freight services.*

*The enormous growth seen in intermodal traffic from Southampton and Felixstowe to the Midlands and the north would be hampered if there was not a national planning function and a national control to oversee their operation.*

*For any long distance passenger or freight service, the co-ordination of engineering work is important across geographical boundaries so that, where practical, a diversionary route is made available around a line closure.*

Planning and management of services across the network is vital as are consistent standards across the network. As more power is devolved, greater safeguards to protect rail freight access and priorities are needed.

Timetables need to be co-ordinated between different train operations as well as other modes of transport. Similarly, investment needs to be co-ordinated with integrated transport planning across the rail and road networks. We believe that future strategic planning for investments in parallel rail and road corridors needs to be integrated to maximise the economic, safety and environmental benefit of infrastructure enhancements. Therefore, the next stage of the Road Investment Strategy (RIS2) and CP6 HLOS processes should identify the corridors with the largest opportunities for rail freight to relieve road congestion.

5. The experience of devolution to date has been challenging for freight which makes the case for a system operator even stronger as the more the system is broken up, the greater the need for a central system operator.
6. The new monitoring role of ORR for Highways England (HE) will enable the ORR to compare costs and subsidies across both modes which is very valuable as it would enable Government to fully compare the costs and benefits of different modes, social outcomes and opportunities for efficiency.



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7. The impacts of devolution must be factored into the assessment of the system operation role noting that political devolution may shape NR routes into different geography than today (e.g. a Northern route).
8. System operation provides a stable and consistent framework so that the industry, including freight customers and suppliers as well as the FOCs, all have confidence to invest.
9. Any changes to the system operation function which disadvantages rail freight and causes reverse modal shift will result in extra costs elsewhere for the Government in the form of more road congestion, road casualties, the environmental and road infrastructure damage. Therefore, the Government must take into account the scale of subsidy given to HGVs; the latest research carried out for the Campaign for Better Transport<sup>1</sup> using DfT values, found that HGVs pay less than a third of their costs, such as road congestion, road collisions, road damage and pollution which equate to an annual subsidy of around £6.5 billion. These conclusions are in line with a MDS Transmodal study in 2007 which found a very similar amount of underpayment: £6 billion. The Government needs to recognise HGV costs in discussion about rail freight costs so that policy implications can then be understood in both directions with road and rail being examined across the piece. The level of HGV subsidy makes a compelling case for supporting rail, which imposes much lower costs on society and the economy, equivalently.

#### Detailed comments

Page 6 Section 13 We support the following text.

*Good system operation can help to bring about more efficient and responsive operation and development of network infrastructure.*

Page 6 Section 15 We agree that system operation is wider than just the functions that NR undertakes.

Page 7 Section 21 As mentioned it is important that the wider economic, social inclusion, safety and environmental benefits of rail are taken into account. For example government figures show that rail freight externalities are almost ten times less than HGV externalities.

Page 7 Section 22 System operation is a tried and tested mechanism across industries.

Page 8 section 26. We support this definition and believe that system operation must be retained as it provides an unbiased provider and of services so that none of the operators get unfair priority on the network so that the Focs and open access operators are not disadvantaged.

Page 10 Figure 5 covers the key functions but it makes no mention of the impacts of devolution and the role of system operator overseeing that. While integration with other modes is mentioned, the new emerging role of ORR monitoring Highways England should be highlighted. Ability to compare costs and subsidies across both modes would be valuable as it would enable Government to fully compare the costs and benefits of different modes, social outcomes and opportunities for efficiency. But it does not follow that this should be translated into access charges. Also freight needs one common charge across the network, not regional variations.

Page 11 Section 35. Better interaction of the functions is needed. Especially in relation to costs of enhancements. In the CP5 enhancements programme project costs are now doubling or even tripling in the GRIP stages from initial budget estimates.



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It could allow better integration in planning road and rail enhancements. In RIS1, parallel rail routes and enhancement plans were not taken into account when planning strategic road network upgrades. This financial gap has undermined rail's credibility.

Page 12 Capacity planning must take into account freight's needs so that it can get reasonable access to the network to make services viable. Lack of capacity for existing services is already a major problem for rail freight which will be exacerbated by the forecasted growth in volumes.

Page 13 The recent pause by the Secretary of State to the enhancement programme has highlighted the long term planning problems within NR which need to be resolved if the economy, environment and society is not to suffer.

Section 43 states that the enhancement programme is not a system operation function though it is undertaken within a framework determined by system operation.

Page 16 We agree with the definition of good system operation.

Page 17. Section 56. Improving the societal and environmental benefits of rail are important advantages which rail must exploit.

Page 18 All figure 8 functions are crucial for good system operation.

Page 20 After the problems with CP5 enhancements programme it is crucial that steps are taken to avoid similar problems in the future.

### **Consultation question 1**

As mentioned, in my section 4, more analysis of what will be needed in the definition of system operator when there is greater devolution. We believe that the business needs of operators and customers needs to be given greater priority.

### **Consultation question 2**

The most important area listed for freight is helping train operators to deliver.

There is no mention of how the Government might consider cross modal trade-offs between trucks and rail freight or between road building or rail upgrades.

### **Consultation question 3**

As stated before, the importance of good system operations for the success of rail freight cannot be overstressed.

### **Consultation question 4**

A fair and consistent charging system for rail freight is crucial.

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<sup>i</sup> Addendum to Metropolitan Transport Research Unit MTRU 2014 report February 2015. Heavy Goods Vehicles – do they pay for the damage they cause 2014



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