



PR18: Review of Schedules 4 and 8,
Office of Rail and Road,
One Kemble Street,
London,
W2B 4AN.

Transport for London
Rail and Underground

Palestra
London
SE1 8NJ

29th January 2016



Dear Sir/Madam,

PR18 Reviews of Schedules 4 and 8 of track access contracts

This letter sets out TfL's responses to the issues discussed in the ORR's request for information/views on Schedules 4 and 8 of track access contracts. TfL is content for its responses to be published and shared with third parties.

Schedule 4

The purpose of Schedule 4

The basic concept of Schedule 4, which is to compensate for Restrictions of Use (RoU) via a mainly liquidated regime, and to incentivise NR to plan/execute works efficiently, remains sound in TfL's opinion. Understanding across the rail industry of inputs into and the transparency of Schedule 4 should be enhanced to ensure that the regime is properly understood, and developed from the basis of a correct, common understanding.

The level of compensation received by operators

TfL considers that the level of compensation paid to operators should be subject to a thorough, bottom up review to ensure that it remains fully cost reflective. Such a review has not been undertaken in recent times, so there is a significant risk that the regime could be creating inappropriate incentives, particularly as the industry has now matured giving operators both the knowledge and capability to bear more risk.

The formula used to determine Schedule Four payment needs to cover all potential sources of cost and cost savings, including the following:

- Provision of alternative transport, covering bus and train services;
- Provision of additional staff and associated equipment to provide information, assist with luggage, etc;

- Changes to customer information systems and websites to reflect closures e.g. provision of electronic customer information on bus services;
- Cost savings from the non operation of scheduled services;
- Revenue loss arising from the non operation of scheduled services.

The formula used should be adjusted to include or exclude the above elements as appropriate, depending on the approach taken by an operator when a disruptive possession occurs.

Notification discount factors

TfL does not consider that the Notification Discount Factors (as currently configured) are fit for purpose. Network Rail can manipulate the current system by submitting large volumes of requests for access at the start of the year for regular engineering works to claim the discount without necessarily having a clear plan for how these will be used, cancelling the possessions at a later date if they are not required. This can make it unnecessarily difficult for other projects to get the access they require as well as representing a potentially inefficient use of possessions which works to the disadvantage of customers. The Notification Discount Factors should be reviewed so they no longer drive this type of behaviour.

Other aspects of the regime

TfL considers that Schedule 4 does not currently provide a sufficient incentive to minimise possessions and the disruption they cause to passengers. This situation arises because the Access Charge Supplement largely funds Network Rail's Schedule 4 costs, creating a circular transfer of funds which gives neither party involved the incentive to reduce the volume of closures or their impact.

TfL considers that giving Network Rail and operators a stronger financial incentive to minimise planned disruption through Schedule 4 would motivate them to examine process and infrastructure based opportunities to make possessions more efficient. There are several ways in which this might be accomplished, some of which are described below.

- Reforming access protocols to extend the amount of time available for actual work to take place;
- Providing additional equipment (such as power isolators) to allow possessions to be taken over a smaller area, creating less disruption and associated cost;
- Revising rules for working near Overhead Line Equipment to make

possessions more productive;

- Greater use of diversionary routes/ single line working;
- Better integration of works between projects to enable more activities to be undertaken within a single possession.

Schedule 8

Purpose of Schedule 8

TfL considers that the overriding purpose of Schedule 8, to provide Network Rail with an incentive to manage day to day network performance in a manner that protects the interests of operators and passengers, remains appropriate. The system should not be adjusted to meet the requirements of specific events (for example, the level of Delay Repay payments following particular incidents) as this would require the application of considerable additional management effort for relatively little gain. Bespoke adjustment should only be considered in the event that high levels of disruption occur over long periods of time.

Understanding across the Industry of inputs into and the transparency of regime should be enhanced to ensure that its value is properly understood and that any reforms are specified from the basis of a common, correct understanding.

Sustained poor performance (SPP)

The SPP regime should permit consideration of bespoke calculations of net revenue loss and net additional costs when severe levels of disruption have occurred over long periods time e.g. when the sea wall collapsed at Dawlish. This will ensure that operators do not lose out financially from severe disruption they could not reasonably have anticipated. Indeed, such bespoke calculations may well be more effective than the current SPP mechanism.

Other aspects of the regime

The usage by the regime of delay minutes as its metric is a key strength. This approach means it is closely calibrated to the actual user experience; more so than for other metrics such as the Public Performance Measure which can be subject to manipulation through the insertion of recovery time into timetables (for example). It is important that this key strength of Schedule 8 is maintained; indeed the value of the regime could be strengthened further by the inclusion of additional monitoring points to ensure it reflects the customer experience as accurately as possible.

The accuracy of the metrics applicable to the Schedule 8 regime (including attributed delays) is of paramount importance to TfL and other operators and should be promoted by the ORR. Network Rail's management of the delay

attribution process should be covered by the PR18 review, as there is evidence from day to day operations that both the quality and effectiveness of this critical workstream has declined over the past five years.

The appearance of additional Infrastructure Managers (IMs) on the GB rail network may ultimately require some amendments to Network Rail's Schedule 8 regime, to ensure the coherent management of train movements across the interfaces between IMs.

Yours sincerely,

Alan Smart,
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