

John Larkinson  
Director, Economic Regulation,  
Office of Rail Regulation  
One Kemble Street  
LONDON  
WC2B 4AN  
**by email only**

28 September 2015

Dear John,

### **Access to the East Coast Main Line**

1. Thank you for your letter of 22 September 2015 identifying the next steps in reaching a decision on the current ECML track access applications. In the letter you asked me to address a number of questions on the infrastructure requirements for tilt and these are addressed below.
2. I am very aware that almost the entire focus of the work currently being undertaken on the ECML by the ORR is on Edinburgh, but would like to re-affirm that our application for Bradford/Cleethorpes is a very important element of our proposal. This is not just to deliver significantly improved services via a more traditional open access application, but also to protect the services currently provided by our sister company Grand Central.
3. I have noted the key dates listed in your letter and confirm that I have kept free the dates proposed for meetings between now and 1 December.

### **Infrastructure requirements for tilt**

4. I note your comments in paragraph 7 about the Freedom of Information request from VTEC and Network Rail's response. I acknowledge that Network Rail has not yet undertaken any work to establish the cost of any infrastructure enhancements required to enable tilt. However, Network Rail does have a draft proposal – which is commercially confidential – for work to establish these costs that was jointly prepared last year. Network Rail has also carried out some assessment of the issues to be addressed for Vehicle Change. It has also made its own assessment of Alstom and Interfleet's work on achievable journey times based on its own view of where tilt could be enabled, subject to suitable infrastructure enhancements.

#### **Alliance Rail Holdings**

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5. You are correct that at a meeting on 3 June 2014 we stated that we had reached agreement with Network Rail on the scope of a study, the proposal identified above. However the notes of that meeting also made clear that we would not authorise this study until we received clarification on the power supply issues in the north east. You will be aware that this issue was still not clarified by the time of the Network Rail ECML Capacity Timetable Assessment produced for the ORR. That document indicated the modelling was due to start in 2015.
6. Unfortunately, Network Rail has not yet completed this power supply modelling work. We now understand that a GRIP 2 study for ECML Power Supply Upgrade (Phase 2) will be delivered in December 2015. We have now re-engaged with Network Rail regarding revisions to the original tilt infrastructure study in anticipation of the power supply report.
7. A significant amount of information is already available regarding the requirements for tilt on the ECML, much of which would have been re-addressed in the Network Rail study. Colleagues at Alstom, and their consultants Interfleet, have also provided detailed information which has been shared with Network Rail. The remaining issue is not so much research, as most of that work has already been undertaken, but the detail of the scope of infrastructure work and the cost of implementation.
8. The initial one-off cost figure in our business case was based upon our estimate for the cost of the work required for the introduction of tilt. At the time, this was expected to cover the cost of installing balises for the tilt authorisation system (TASS) and some re-canting and re-alignment of track to support higher speeds through curves. Our business case remains a live document and is updated as further information is received.
9. Whilst we expect the installation of balises to be straightforward, we received further advice that we had not allowed enough for the implementation of absolute track geometry (ATG) on track sections with high cant deficiency. We also accept that we had not included signal sighting assessment (and potential repositioning) in that original estimate, nor any remedial work to deal with possible structure resonance.
10. The £50m 'ballpark' figure quoted at the 12 June Hearing is our estimate of the funding needed to deliver this work and associated survey work. The figure for ATG included in this is based on our understanding of costs for a similar Network Rail project being planned.

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11. We note that ATG potentially delivers lower maintenance costs, better track quality and longer track life and that there may be a business case for Network Rail to invest in it on the ECML in its own right. However, we acknowledge the difficulty Network Rail would have in funding such a scheme in the current financial climate.
12. We also note that the current (March 2015) ETCS deployment plan includes part of the route between Newcastle and Edinburgh in 2021 and 2022, and that the balises for ETCS could also be used by TASS. In the event that signal sighting (if changes are required) is an expensive issue to resolve we would consider delaying implementation of tilt on this section until 2022.
13. Now that the Network Rail ECML Capacity Timetable Assessment has indicated that the 8 paths we have consistently stated were available would work with our services (either Edinburgh or Bradford/Cleethorpes), then we would be happy to further discuss with ORR its requirements in relation to a more detailed cost estimate of the work required for our Edinburgh application using tilt. However, as the ORR is itself acutely aware, the ability of the industry, and Network Rail in particular, to give accurate estimates on infrastructure work is a significant concern at this time, hence our 'ballpark' figure at the 12 June 2015 Hearing.
14. We have also consistently been clear that if the Edinburgh service was approved, we would expect the ORR to include a longstop date for the identification and approval of the works required to enable tilt operation. This would have no detrimental effect on either the franchised operator or the competing Edinburgh First Group bid. The IEP fleet is being built irrespective of its use and would not delay introduction should our application for Edinburgh later be rejected, and the First Group rolling stock for Edinburgh would be a further follow-on order from Hitachi.
15. You also stated that the introduction of tilt underpins our business case. This is not strictly accurate as the business case works without tilt, (one of the options the ORR is testing) but our application is based around the game-changing nature of tilt, the introduction of which enables the record-breaking journey times we can achieve. This further drives modal shift, particularly if the maximum line speed is further increased to 140 mph after the implementation of ETCS and removal of level crossings.
16. Our business case works with this cost assumption included, and allows for further variances. Further sensitivities also revolve around the procurement and cost of rolling stock and the operation in non-tilt mode. We would be happy to share our latest business case outputs and assumptions with the ORR at our next meeting.

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17. Authority to submit our current applications was gained at Arriva UK Trains Board level, based on the original and indicative business cases and the assumptions within them. If rights are approved, we will then need to seek further authority to invest against a more detailed business case taking into account the approvals and obligations that might exist following that approval. For instance the ORR may approve half of our Edinburgh application, and we would need to ensure that with more detailed costs emerging on infrastructure etc., that the reduced revenue could still support the level of investment required. Subject to the precise detail of the proposed investment approach, this approval may be required from the DB Supervisory Board.

## Fares

18. In paragraph 15 of your letter you suggest that the ORR adapts its policy on the methodology used to assess applications in the light of circumstances surrounding each case, with particular reference here to fares modelling. I would be pleased if you could explain how you believe this change in policy is consulted and communicated to current and potential track access applicants? Alliance has reacted to previous track access decisions in its formulation of new proposals based upon a consistent position from the ORR, but we have found it very difficult to address issues of which we were not yet aware.

19. I welcome your acceptance in paragraphs 18 to 20 of the need for better modelling, or at least explanation, of air/rail modal shares and competitive response.

I hope I have managed to deal with your questions fully, and would be pleased to discuss any aspect of this response should you need further clarification.

Yours sincerely,



Ian Yeowart  
Managing Director