DeltaRail

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Valentina Licata
Office of Rail Regulation
1 Kemble Street
London
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Dear Ms Licata,

DeltaRail's response to the ORR consultation on the Periodic review 2013: Draft determination of Network Rail's outputs and funding for 2014-19

About DeltaRail

DeltaRail is a specialist software and technology provider partnering with its customers to transform the railway. It is the largest provider of computerised signalling control systems in the UK and the first to introduce next generation IT architecture. We are a British-based SME, located in Derby, employing over 200 highly skilled staff and have invested significantly in R&D. As a company, we are committed to the Government growth agenda, focussing on highly-skilled SMEs and exports.

Introduction

DeltaRail welcomes the opportunity to contribute to the ORR consultation period surrounding PR13 and its draft determination of Network Rail's outputs and funding for 2014-19.

We have focused our response on one of the "key issues for consultation" laid out within the PR13 consultation phase; namely *"How best to improve efficiency and reduce costs to taxpayers and customers?"* We believe this is absolutely fundamental when planning for the future of the British railway as it embarks on an important journey with a physical capacity investment not seen for generations.   Nearly £40 billion is set to be invested in building the UK a railway fit for the 2020s and 2030s.   Transporting people and goods to the right places on time, every time will be an essential driver of the UK's economic recovery and the railway will be required to deliver its share of ever-rising demand.

This response focuses on the current plans around signalling control reform across the UK rail network and how that works within the PR13 framework and Network Rail's outputs and funding for 2014-2019. The focus of this reform is around the Traffic Management Programme that Network Rail is undertaking, which is currently in the prototype phase. This signalling control reform process is fundamental to our business but more importantly to the future operation of the rail network.

We believe there are fundamental problems with the current approach being taken by Network Rail on the Traffic Management Programme which would leave £1bn in savings on the table – an unnecessary cost to Network Rail, taxpayers and passengers – and leave the country with a network reliant on out-dated technology unfit for the future.

Digital-Age Passengers Deserve a Digital-Age Railway Network

The Digital Age has already transformed other sectors by delivering crucial business capability in a form that scales to meet ever-changing demand and that adapts to meet ever changing need. Network Rail and the industry must embrace new technology and especially the paradigm shift in IT capabilities if it is to reduce costs and, importantly, ensure that the railway delivers what customers expect in order that rail remains relevant in the 21st century.

Passengers, who now contribute £2 for every taxpayer's £1 spent on service delivery, will be transformed from 'accepting consumers' into 'informed and powerful service consumers'. Expectations, which have already been boosted by the routine delivery of services that were impossible five years ago, will be driven upwards dramatically over the next five years. Consumers will also find they have an increasing choice and a louder voice as social media and internet democracy gain traction. It is valuable to explore some of the consumer and technology trends in understanding how rail should adapt through this period.

Inevitably rail, with its huge physical imprint on our nation's landscape, has its long-term planning cycles but, as with any industry, it faces the possibility of disruptive change in the shorter term. The physical asset-base will always cause rail to be slower to adapt than other less infrastructure-intensive industries so the challenge for Network Rail and its digital providers will be to match shovel-ready projects with digitally-enabled services.

Concerns around Network Rail's Current Traffic Management Programme

The combination of the continuous rise in expectations and the ORR's challenge for Network Rail to reduce operational costs by 17% in CP5 means that business as usual will not be good enough. In addition to investing in the infrastructure, there needs to be a step change in the way the railway is run. Network Rail has published the 'Network Rail Technical Strategy, June 2013' which articulates how the Traffic Management Project will deliver future operational performance improvement.

In our opinion the planned implementation of the Traffic Management Programme is a prime example of tired cultural thinking, missed opportunities and poor use of taxpayers' and passengers' money.

One billion pounds saving is available to Network Rail

DeltaRail believes that the current approach surrounding the Traffic Management Programme would result in potential waste of at least £1bn; a needless cost for Network Rail, taxpayers and passengers. In doing so we would highlight the ORR's assessment that costs Network Rail can most directly control should be £1,907m less than Network Rail asked for in its SBP.

DeltaRail believes these cost savings can be made by accelerating the consolidation of signalling from over 800 locations into 12 modern Rail Operating Centres (ROCs) and delivering Traffic Management simultaneously. Thereby, delivering operational and performance benefits immediately. Network Rail is currently wedded to an approach that will be implemented much later than is necessary. The current Traffic Management strategy will not start to reap benefits until the latter stages of CP5, even if the project is delivered on time. Furthermore, vital improvements to the operational performance of the railway will be delayed for several years.

Network Rail has indicated that ROC consolidation, combined with Traffic Management, is expected to bring about a cost benefit of at least £250m pounds a year. Over the course of Control Period 5 and 6 over £1Bn worth of savings can be brought forward if the right supplier is chosen now.

DeltaRail firmly believes that its solution, based on proven innovative signalling components and combined with best-in-class business process components that are proven in many other industries can enable ROC consolidation to take place immediately and deliver the Traffic Management performance benefit; preventing an unnecessary delay and waste of a significant amount of money that could be used more effectively elsewhere.

The UK deserves better than vendor lock-in using outdated railway specific technology

Network Rail's Traffic Management procurement strategy is centred on the use of in-service railway systems. This flawed strategy is the worst of all worlds for two reasons: One, it has resulted in them increasing the project risk and cost by contracting international rail companies with no relevant experience or safety approvals for the UK's complex, high density, mixed traffic railway; Two, it has led to prototype contracts being based on proprietary end-to-end 'closed' systems fundamentally architected in the 1990s that would be considered obsolete in any other industry.

It is imperative that going forward, whatever supplier Network rail chooses, they can deliver <u>truly</u> open systems, competition and efficiencies required to ensure the right deal for the British railway industry and its passengers. At present, DeltaRail believes that none of the potential suppliers currently in the running offers this capability. Network Rail needs to learn from past public sector technology mistakes and adopt modern, future-proofed and open technology; a fundamental principle surrounding the current Government's procurement strategy.

Network Rail's Traffic Management procurement strategy did not consider relevant other industry best-in-class solutions, even where those solutions were technically and commercially superior. Rail will not reduce its costs nor improve its service until it embraces the learning and solutions of other industries. Network Rail's chosen solutions were all architected prior to the IT revolution and they have been in service many years.

The investment in traffic management solutions provides a once in a lifetime opportunity for the UK to leap-frog other railways. This investment should allow Network Rail to create the foundations for a passenger centric railway fit for the 21st Century. Instead the current strategy will see Network Rail install 1990s based systems over the next 10 years.

Given the challenges they face and the need for a step change in performance, these outdated 'me too' solutions will be found to be woefully inadequate for exploiting the Digital Age; with its need to focus on consumer service and the ever increasing expectations and pace of change e .g., big data, social media, cloud, infinite bandwidth and 24*7 mobile access.

Bring forward the future

FuTRO is an innovative R&D programme that aims to deliver intelligent management of train movements in near real-time, maximising available capacity and improving performance. It is a programme intended to bring the railway into the digital age, making the passenger the centre of an efficient multi-modal transportation network.

FuTRO will bring about savings of between £200m-£400m per year.[1] It has been confirmed in Network Rail's Technical Strategy that FuTRO 'reflects the next generation of traffic management technologies beyond installations under the current operating strategy'. The current operating strategy therefore will miss the opportunity to "put the company at a leading position in Europe".

A long-term vision and strategy for the network is essential and the current Traffic Management approach will be rendered redundant by FuTRO. In contrast, DeltaRail's solution has been designed to enable those aspirations to be achieved, allowing the FuTRO programme to commence years earlier than currently planned.

It is imperative that Network Rail signalling reform is delivered using technologies that are ready for the digital world now and architected to adapt to ever changing future needs.

The passenger and the taxpayer

With passengers contributing more to the overall running costs of the railways, and another above inflation rise set to come in, Network Rail should be putting the passenger at the heart of its decision making. The current traffic management approach will delay benefits of ROC consolidation with Traffic Management which includes better functionality for passengers, delivering joined-up real time travel information.

The contribution of the taxpayer must also be considered. Network Rail is required to save £2Bn whilst improving performance. The DeltaRail solution allows Network Rail to achieve a substantial part of the savings, on signalling control reform alone, using the latest technology already in operation on the UK rail network.

Whilst recognising that the signalling reform programme is of fundamental importance to DeltaRail, it is equally important to the taxpayer to ensure that public funds are directed appropriately. This is particularly relevant given the financial constraints currently being experienced by Government and the public at large.

Conclusion

The issue of signalling reform is of huge importance to the railway industry going forward and will help set the planned improvements of the rail network for the next thirty years. It is imperative that Network Rail gets this right and this is why DeltaRail feel it necessary to highlight this issue in this response.

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[1] Network Rail Technical Strategy, June 2013

While we are invested in this area due to the commercial significance of it to our company, the potential cost savings and efficiency improvements involved should also be of huge significance for the ORR, the Government, Network Rail and the general public at large. It should certainly form part of the ORR review when finalising Network Rail's outputs and funding for 2014-19.

DeltaRail has been in discussion with Network Rail since May 2013 regarding the financial and technical benefits of our solution. DeltaRail has assessed that every month of delay in implementing our solution will cost £25m.

As at 4th September 2013, it is difficult to assess whether or not Network Rail will have the vision and courage to seize the opportunity. The ORR must encourage them to act now, prior to contracting for Traffic Management pilots. By doing so, the ORR can ensure the most efficient use of taxpayer and passenger funding whilst realising a 21st Century railway.

DeltaRail would be more than happy to discuss this matter further with representatives of the ORR in person.

Yours sincerely,

Anna Matthews
Chief Executive Officer