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11 January 2017

Introduction

These comments respond to the ORR's consultation on draft guidance on Network Rail's strategic business plans. The response is provided on behalf of Arriva plc, its subsidiary Arriva UK Trains Limited and its wholly owned train operating companies (TOCs), Arriva Rail North Limited, Arriva Trains Wales/Trenau Arriva Cymru Limited (ATW), DB Regio Tyne & Wear Limited (DBTW), Grand Central Rail Company Limited, The Chiltern Railway Company Limited (CR), XC Trains Limited (XC) and Alliance Rail. Arriva is a wholly owned subsidiary of Deutsche Bahn AG (DB AG).

Arriva views the Periodic Review (PR18) process as an important element of a coordinated series of activities necessary to ensure that all elements of the Rail Industry structure work together to support the delivery of the vital contribution that rail needs to make to society in the UK.

Therefore, Arriva has played an active part in the Periodic Review process to date and intends to do so going forward. In particular, Arriva is supporting the coordinated industry activity being undertaken by the Rail Delivery Group (RDG).

On this basis, Arriva endorses the responses provided to ORR by RDG relating to the consultation documents issued by ORR to date and confirms that Arriva's views are firmly reflected in the RDG responses.

However, Arriva would like to take this opportunity to emphasise a few key points that have emerged through the work undertaken to date.

Structure of Route Strategic Business Plans

Arriva welcomes the guidance on Network Rail's Strategic Business Plans being provided by ORR and wishes to support the refinement of that guidance through this consultation since, if the deployment of Strategic Business Plans is to be effective in CP6, the Strategic Business Plans must be:

- comprehensive and include specific details of Network Rail's plans to operate, maintain and renew the network including details of the associated Outputs
- focused strongly on how Network Rail will improve its capability and efficiency in delivering the Outputs
- clear as to the costs Network Rail expects to incur and what income it anticipates

- supported by well-developed governance arrangements engaging relevant stakeholders in their production, monitoring and on-going development.

With this background, Arriva supports the ORR approach to PR18 with its strong focus on Route Regulation and the associated production and deployment of Route Strategic Business Plans. Arriva also supports the use of the same Regulatory approach for the freight and national Passenger operator (FNPO) route and Network Rail's national system operator (NSO) organisation.

However, with direct Regulation of both Network Rail's Routes and the NSO, it is important that there is absolute clarity from the outset as to how these bodies will interact and which body leads on what issues. In addition, the interaction between these bodies and the elements of Network Rail delivering Network Enhancements needs to be established clearly.

Engagement between Network Rail and its Stakeholders

Arriva remains of the view that active engagement between Network Rail and its Stakeholders is a key enabler for the rail industry in delivering the right outputs in a cost effective manner – active engagement should allow a clear expression of the priorities to be addressed and of the most appropriate approach by which these might be delivered. Arriva's experience has been that the most effective engagement occurs at a local level involving Network Rail's Route teams, their direct customers and with input from the businesses and communities that the rail industry serves.

However, for engagement to be effective, the Stakeholder involvement needs to be actively facilitated by Network Rail through:

- a clear governance structure that
 - makes clear what input is needed from each Stakeholder and at what time so that Stakeholders can plan to provide the required input and mobilise the necessary resources in a timely manner
 - shows how the input provided will be made use of by Network Rail
 - records the engagement process including the inputs provided and the decisions reached as a result
 - identifies how the engagement associated with the Strategic Business Plans fits with other engagement processes including those related to the contract management of Access Contracts
- the provision of necessary data, information and underpinning policies to support
 - decision making including selection between options
 - scrutiny of delivery progress
- the coordination of interaction with other parts of Network Rail including:
 - Other Routes
 - NSO
 - Technical Authority.

It should be observed that the approach that ORR intends the industry to follow in this key area, while welcome and likely to be effective, is markedly different to that adopted in the past. In particular, working in this way will require:

- The establishment of new multilateral governance processes
- Collation of new datasets
- Deployment of new and different resources.

Of these, the last requirement is likely to be a significant challenge for train operators – particularly Franchised Passenger Operators whose own Business Plans have not previously required them to focus their attention of Network Rail's Strategic Business plan in the manner now required. Mustering the necessary resources and capability in the short timeframe envisaged will be a major undertaking not anticipated before now. To assist in addressing this challenge, Network Rail should quickly outline the immediate workplan for engagement with train operators making absolutely clear what input they expect from train operators and how they anticipate this being provided.

To assist in this area, the draft Guidance laid out by ORR could be developed to include more detail in this area so that there is no uncertainty as to what is expected from each industry party at each stage in the preparation of the Strategic Business Plans and their on-going management. In particular, the guidance focuses particularly on the early stages of engagement in the first quarter of 2017 – more detail of the ORR expectations with regard to Network Rail's engagement with Stakeholders thereafter would be of benefit. This could include the processes for:

- Review of progressive drafts
- Sign off
- Communication
- Monitoring of delivery
- Revision and development.

In addition, ORR should continue to make clear that Network Rail is solely accountable for the delivery of the required outputs in line with the Control Period Settlement and the contracts it has with its direct customers.

Route Objectives, Scorecards and Metrics

If the deployment of Strategic Business Plans is to be effective, there needs to be absolute clarity as to the outputs that they are focused on delivering. There also needs to be absolute clarity as to how the delivery of these outputs will be subject to regulatory scrutiny. The ORR's draft guidance does not currently provide the required clarity. It is important that this clarity is provided by ORR before Network Rail starts its work with Stakeholders on the development of the Strategic Business Plans so that there is no ambiguity as to the on-going status of the objectives, outputs, scorecards and metrics included in the Strategic Business Plans.

Arriva would suggest that:

- The Strategic Business Plans should detail the key Objectives they are intended to address as determined through the process of engagement with Stakeholders.
- The delivery of each Objective should be monitored through the on-going assessment of a range of metrics
- The metrics should be included in a Scorecard
- Metrics aggregated over the whole of the relevant Network Rail business unit (Route, FNPO, NSO) should be subject to regulatory scrutiny and classed as regulated outputs
- Additional Metrics specific to one Stakeholder or group of Stakeholders but not aggregated over the whole of the relevant Network Rail business unit (Route, FNPO, NSO), while included in the Scorecard, should be monitored as part of the process of managing the delivery of the Strategic Business Plan but might not be subject to regulatory scrutiny and might not be classed as regulated outputs.
- It may be feasible to aggregate the results against the metrics associated with an individual Stakeholder or group of Stakeholders into a composite metric indicating the degree to which the priorities of that Stakeholder or group of Stakeholders are being delivered.

Arriva would expect the key Objectives to include matters such as:

- Safety
- Train Performance
- Network availability
- Asset stewardship
- Efficiency and financial performance.

As detailed above, these Objectives should be associated with a suite of metrics compiled into a Scorecard.

Scope of Strategic Business Plans

The ORR guidance envisages Strategic Business Plans for:

- Each physical Route
- FNPO
- NSO.

While these organisations depend on a range of Network Rail central functions to support them in the delivery of their key Objectives, there are a number of Network Rail central functions where this dependency goes beyond the transactional – for example:

- Infrastructure Projects
- Technical Authority
- Digital Railway.

While ORR has determined that it not going to directly regulate these Network Rail central functions, Arriva would suggest that there would be benefit if these organisations were to produce and make transparent their own Strategic Business Plans along the lines details in the guidance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R McClean', with a long horizontal flourish extending to the right.

Richard McClean
Managing Director
Grand Central Railway Company Ltd.



ASLEF Response to the ORR Consultation draft guidance on Network Rail's strategic business plans – January 2017

1. The Associated Society of Locomotive Engineers and Firemen (ASLEF) is the UK's largest train driver's union representing approximately 20,000 members in train operating companies and freight companies as well as London Underground and light rail systems.
2. ASLEF will be giving a full response to the ORR's draft determination when it is published in June 2018, but would like to raise the matter of stakeholder engagement.
3. ASLEF is glad that the ORR recognises that Network Rail's strategic plans for CP6 will need to take account of the priorities of passengers, freight customers and train operators (who are Network Rail's direct customers), other relevant stakeholders including local funders, and the requirements set out by national funders in the HLOSs. However ASLEF feels that one important group that has not been mentioned is operational staff. Trade Unions represent workers from virtually all the operational roles on our network and therefore represent a huge amount of expertise and knowledge. We therefore call upon the ORR and Network Rail to treat these workers' representatives as stakeholders and make recognised unions a formal part of the process.
4. Whilst TOCs and FOCs will be prioritising their own commercial interests, the staff on the railway, who often have dedicated their whole working lives to the network, can offer a longer term and more balanced insight.

5. The consultation notes that, “stakeholders should have access to relevant information regarding the route strategic plans, in an appropriate level of detail, to be able to contribute effectively. Network Rail should, therefore, seek to share sufficient information to support good quality engagement with stakeholders, rather than just relying on the contents of the published plans.” ASLEF agrees with this and therefore hopes that the recognised rail unions are given this information to help them in their engagement over Network Rail’s strategic plan.
6. We look forward to engaging with the ORR, Network Rail and other stakeholders over the course of this process and giving voice to the thousands of train drivers who we represent whilst the priorities and infrastructure decisions for CP6 are decided upon.

Mick Whelan
General Secretary
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Bootham Network Solutions Limited

Purpose

This paper comprises comments on the Office of Rail and Road's "Draft guidance on Network Rail's strategic business plans" dated 23rd November, 2016.

Introduction

Bootham Network Solutions Limited is a Consultancy offering advice and support to businesses in the rail and freight sectors. Its areas of expertise include:

- Modal shift.
- Business development.
- Bid management.
- Strategy development.
- Operational improvements.

Comments

Bootham Network Solutions Limited welcomes the approach taken in the draft document which sets out clearly what Network Rail is expected to deliver through the Strategic Business Plan (SBP) process. Such clear guidance is especially relevant with the greater autonomy that will be enjoyed by individual routes within Network Rail; and the intention of ORR to increasingly focus on regulation of each of the route businesses. The overarching criteria (para 94) is a good summary of the requirements of the SBP process.

Contents of SBPs

It is expected that the SBPs will build on the work completed as part of Network Rail's Long Term Planning Process (LTPP). Network Rail, operators and stakeholders have invested significant time and resources in the LTPP, and the various market, route and freight study documents reflect this investment. The conclusions drawn, and recommendations made, in the LTPP incorporate the industry's view on the enhancements and capabilities required for the network to continue to deliver for the GB economy.

It is essential that the work completed as part of the LTPP is not lost, it should form the starting point for the SBP process. It would be helpful if the requirement to incorporate the LTPP work is explicitly stated in the Guidance; paragraphs 6 and 46 would be obvious places in which to make this statement.

Route definition

The guidance would benefit from a clearer definition of "routes". In some places reference to "routes" is followed by the clarification "including the FNPO route" (for example para 1). In other places "routes" is used without the clarification (for example paras 22, 23 and 24).

One way to achieve this clarity of definition is for "routes" to mean geographic **and** FNPO routes unless explicitly stated to the contrary.

Bootham Network Solutions Limited

Comparison

The Guidance rightly states the requirement for there to be easy comparison between the SBPs produced by individual routes (paras 23 - 24). The ability to make comparisons between routes is particularly relevant for freight and national passenger operators who will be impacted by the plans of multiple routes. As noted above, the production of clear concise Guidance to Network Rail will aid this comparison.

Stakeholder engagement

Freight and National Passenger Operators have an important part to play in the stakeholder engagement process for all routes (both geographic routes and the FNPO route) and should be directly involved in the process. The suggestion (para 33) that these operators are potentially represented by the FNPO route is not helpful. With the best will in the world, such representation will involve a degree of interpretation of operators' views. It is likely that the FNPO route will be under pressure to present a single consolidated freight and/or National Passenger Operator view to each geographic route. It would not be appropriate for the FNPO route to prioritise the commercial strategies and requirements of individual operators.

Freight Operators and National Passenger Operators should have the ability to participate fully in all route stakeholder engagements, to enable them to communicate their own views and commercial requirements.

Chris Polack, CEng
Bootham Network Solutions Limited



Submission by the Chartered Institute of Logistics and Transport to the ORR consultation Network Rail's Strategic Business Plans

1. The Chartered Institute of Logistics and Transport is a professional institution embracing all transport modes whose members are engaged in the provision of transport services for both passengers and freight, the management of logistics and the supply chain, transport planning, government and administration. Our principal concern is that transport policies and procedures should be effective and efficient, based on objective analysis of the issues and practical experience, and that good practice should be widely disseminated and adopted. The Institute has a number of specialist forums, a nationwide structure of locally based groups and a Public Policies Committee which considers the broad canvass of transport policy. This submission has been prepared by the Institute's Rail Freight Forum.
2. We welcome the opportunity to comment upon ORR's draft guidance on Network Rail's strategic business plans and consider that, in general, the guidance is sound, reflecting the key issues that Network Rail geographical routes, FNPO, NSO and the central functions should address. We strongly support the emphasis on establishing and delivering customer needs, be they TOC/FOC's, freight customers, passengers and/or funders.
3. We do, however, have concerns - based on initial feedback on how geographical routes are preparing SBP's - that the process within Network Rail is heavily production-focussed and is being led by asset managers rather than customer account executives as we would have expected with a demand-driven approach. It will be essential for this orientation to be rapidly revised if ORR - and industry - objectives are to be met.
4. Our one major concern about ORR proposals concerns paragraph 46, which we consider to be much too tame. Routes need to be fully committed to supporting the delivery of franchise commitments and national funders' rail freight strategies, not 'consider the extent to which they can plan to support', let alone 'have regard to' these imperatives. Unless it is made crystal clear to routes that their prime duty is to deliver such requirements, in a safe and efficient manner, the necessary management style and culture will not be achieved.
5. We also remain concerned about the practicalities of how national customers, notably FOC's and freight customers, can engage effectively and at reasonable cost with all the geographical routes. Clearly, FNPO have a major role to play in this regard and we are encouraged by FNPO's recent initiatives with customers, NSO and

the geographic routes. We believe there is likely to be a blend of direct customer involvement with geographic routes, e.g. Tata Steel with the Wales route, Mendip Rail with GW and Tarmac with East Midlands, where there are major flows and FNPO representation of customers with more diverse and dispersed flows.

6. We have concerns that, at a time when margins are tight and revenue is falling due to the collapse of Coal, FOC's may not be resourced, or be able to afford, to attend all geographical route SBP (and subsequent review) meetings and the interests of freight customers could be under-represented as a result. We look to FNPO - and, ultimately, ORR - to ensure that this does not occur. It is imperative that the geographical routes recognise the importance of national customers and deliver against their capacity and performance requirements, even if these are received second hand.
7. We remain extremely concerned that the interests of 'home' TOC's and stakeholders will be given priority, to the disadvantage of customers whose business crosses multiple routes and may neither originate nor terminate in the route concerned. We shall wish to see clear evidence of Network Rail procedures that ensure that the needs of such customers, as reflected by FNPO, are delivered by geographical routes. Bluntly, the RMD, FNPO will need to have the authority to require that geographical RMD's treat all customers fairly and that those who are in daily contact at a senior level do not get preferential treatment. The ability of FNPO to withhold revenue from a route that is not behaving in an even-handed manner would concentrate minds.
8. Conclusion – the Rail Freight Forum appreciates the opportunity to comment on ORR's guidance regarding a crucial strategic process. We are keen to contribute further and would be happy to be involved in subsequent discussions on this and related matters.

Submitted by:
Daniel Parker-Klein
Head of Policy
The Chartered Institute of Logistics and Transport

January 2017

Chris Fox - Comment on Draft guidance on Network Rail's strategic business plans

Generally the Draft Guidance appears to be a sound basis upon which the Network Rail proposals for CP6 can be evaluated. Listed below are some additional points which may further enhance the evaluation.

In the listing below the references to planning imply not only time scheduling but also all the other important elements of project planning, including (but not limited to) roles and responsibilities, resource requirements, management issues, cost control, procurement and contracting policies, safety and environmental issues, quality assurance management, project reporting.

1. Quality of Planning

The proposals in the Draft Guidance require NR to provide considerably more planning detail than in the past. This is not unreasonable given the difficulties NR has encountered in the implementation of the CP5 programme. It is a well established principle that effective project implementation requires high quality planning based upon a sufficiently detailed project definition. It has become painfully evident that this was not the case in respect of some elements of the CP5 programme with the inevitable result of delays and escalating costs.

It will be important to be able to assess all elements of the proposed CP6 programme in order to provide assurance that planning is of a sufficient quality to support effective implementation of the overall programme. This requirement applies equally to enhancement projects and to renewals, and in principle is valid for all items large and small. If (as may well be the case) some elements of the proposed programme are at an early development stage then there must be a plan which identifies how the element(s) will be further developed and evaluated prior to proceeding with implementation. This is essential to provide assurance that expenditure forecasts have been constructed against a robustly planned programme of works.

2. Resource Requirements

Little reference is made in the Draft Guidance to the need for identification of resource requirements (in particular management, supervision and labour). This is an important issue both at the individual project level and in respect of the overall programme. It is vital in order to be reasonably assured that the required personnel will be available at the required timings. This needs to be addressed on a discipline by discipline basis. Whilst it is probable that general civil engineering trades will be available, this is much less certain in respect of trades (including supervision) availability for electrification works and for signalling and control works. It is also essential to demonstrate that there will not be any major short term peaks and troughs in demand and that the industry can meet demand. Equally it is necessary for NR to identify resource demand for its own staff to manage the CP6 programme. It will also be appropriate to identify the impact probable resource demand from the HS2 project which will be in construction concurrently with CP6.

3. Productivity

It is clearly evident that within CP5 a number of projects (especially electrification works) have suffered from much lower productivity of the construction works than had been projected in the planned programmes. The root cause(s) are probably complex, but it is of note that NR and its contractors had little recent experience of large scale electrification works prior to CP5. It is essential that planning for CP6 demonstrates that they have learned from experience and that productivity assumptions will now be realistic.

4. Contracting Strategy

It is proposed for CP6 that projects are managed on a route basis, but in many cases NR will be employing contractors who will be engaged concurrently with works on more than one route. Clarity is needed as to how these contractors will be managed, both in the bidding phase and during implementation of the contracted work. To what extent will contracting be managed centrally, to what extent by the route management of NR and how will it be ensured that there will be a consistent overall management of such contractors.

5. Digital Railway – development project

CP6 will see the first large scale projects associated with digital signalling and control systems. The nature of these projects will, during their implementation, inevitably expose a number of learning points in relation to the detailed specifications, construction processes and commissioning procedures. As a result it will not be practicable for NR to provide the levels of assurance related to outcomes during the planning phase, which must reasonably apply to the other works. Nonetheless it must still be a requirement for NR to produce detailed planning albeit recognising and assessing the uncertainties and risks involved, how they will be managed and provision of appropriate contingencies.

6. Emergency works

NR is required from time to time to carry out remedial works arising from unforeseen events such as structural or equipment failures, derailments, damage from extreme weather. In general, NR has a good record in managing the execution of such works; however they are events which require considerable management and the possible diversion of labour and supervision from other works. The programme of work for CP6 needs to address this requirement so far as it is possible in order to show what general provision NR has made for this type of work.

7. Interaction with Other Parties

Some projects such as new or expanded stations, new route sections of track or temporary works beyond the boundaries of NR owned assets require a formal public consultation and/or planning permission from the local authority. These are typically time consuming and may well significantly extend project duration. NR as part of its planning for projects where this is likely to be a requirement should clearly show what additional time has been allowed.

8. Programme of Works and Funding

In order for NR to put together all the information required for the SBPs it would be very useful for them to be aware at a relatively early stage in their development as to which items are likely to be included in the PR18 determination for CP6 and an overall indication of the approximate level of funding which will be available. It is already very evident that there exists listings of desirable projects (both enhancements and renewals) which together would have a value far in excess of likely funding and in excess of the ability of NR and its contractors to resource within CP6. Without early information NR is likely to be engaged in considerable abortive work related to items which are later excluded from the PR18 determination.

Chris Fox
December 2016

DB Cargo response to ORR Consultation on Draft Guidance to Network Rail's strategic business plans

January 2017

1. This is the response of DB Cargo to the ORR consultation on draft guidance to Network Rail on its strategic business plans issued on 23 November 2016.
2. DB Cargo is the largest rail freight operator in the UK and is a wholly owned subsidiary of Deutsche Bahn, the second largest mobility and logistics group in the world. DB Cargo operates over 5,000 trains per month in the UK conveying everything from cereals to coal, consumer products to biomass and petroleum to steel. DB Cargo employs over 3,000 people providing freight, infrastructure, rail support and charter passenger services within the UK and freight services to and from continental Europe via the Channel Tunnel
3. DB Cargo, in common with other rail freight operators, is a wholly private sector activity receiving no material direct government support in the UK. In this respect, rail freight is different to passenger rail as it has a very different, less direct, relationship with Governments, funders and other devolved bodies. In a heavily-capital intensive industry, DB Cargo owns and operates its own assets, including depots and rolling stock, and has invested heavily in new locomotives, wagons and facilities over the years since UK privatisation.

General Comments

4. The rail freight sector is highly competitive, with five main rail freight operating companies (FOCs) competing vigorously in all market segments. However, the rail freight industry's main competition is from road haulage or road based logistics services which set the price and service expectations in almost all market segments.
5. Rail freight customers' requirements are dictated by market demands, and do not align to railway administrative boundaries. Whatever solutions or structures are put in place to address rail cost and efficiency challenges, they must equally be capable of delivering effective, affordable, consistent and aligned services for freight customers. This is a particular challenge for a devolved Network Rail and we recommend that ORR develops and uses a series of "freight touchstones" to reflect on the effect of the developing model as it develops. As examples, these might include consideration of how a long distance freight plan will be planned and operated, how a new terminal will be connected to the network and how a "line of route" enhancement programme (such as F2N) will be developed and managed.

The structure of the submissions

6. The ORR expectations regarding the proposed content headings of the plans appears broadly reasonable, but the "devil will be in the detail" and in particular it remains unclear how network and cross-route consistency will be achieved and maintained.
7. It is not yet clear how the needs of freight customers will be factored into the OMR plans of the geographic routes. The pat answer is "the Freight and National Passenger Operator" (FNPO) route will do this", but how and in what way has not been articulated, which is of concern. It is far from clear that the FNPO will be resourced with either the necessary numbers or skill sets to do this, or what the relationship between the geographic routes and FNPO will be.

8. Again, we would recommend that the ORR and others apply practical tests and examples to test the development and running of the proposed model. One potential example would be “how would the model avoid – or deal with – another Lewisham situation?” –i.e. testing how asset policies would prevent deterioration of key assets to the point where network access for freight was not possible, but with no such impact on the passenger operators concerned. This would test how effective the indirect relationship of geographic routes with freight customers was working. How would the geographic route see the impact on freight customers as a priority?
9. The same applies to enhancements. Within the current organisational matrix there are serious and significant weaknesses in the management of cross-route enhancement programmes and it is far from clear how the proposals would improve this – indeed there is risk the situation will be worse. The Southampton – West Midlands Freight Train Lengthening programme is a case study worthy of examination, where the individual routes concerned have made decisions that do not take cognizance of the wider programme objectives and outputs.
10. A further practical test might relate to a new connection to the network. Assuming that the funding and agreement between the customer and Network Rail is delivered by the FNPO, but the work is delivered by a geographical route, what are the incentives to drive the necessary behaviours and what are the associated mechanisms?
11. The process of engagement with operators is only just beginning, and there is concern that the broad structure and level of both Network Rail OMR and enhancements for CP6 will be in place before operators can make any meaningful contribution.
12. The processes (and incentives) as to how the different parts of the new model will work together (and especially the geographic routes, the Network System Operator (NSO) and the FNPO) are not yet clear if they have even been developed. As an example there is no clarity yet on how FOCs, freight customers or even the FNPO will interact with the geographic routes, either via scorecards, inputs, outputs or governance mechanisms.
13. Given this, it is important the SBPs themselves are transparent as to where they are in terms of the organisation’s development and the extent to which they have benefitted from meaningful operator involvement.
14. The bottom-up nature of the proposed SBP process is noted, but the consultation is silent on how to address the (perennial) railway dilemma of the sum of bottom-up plans being fundamentally unaffordable and a “top-down” solution needing to be imposed. Failure to be clear on how this would be translated into amended policies or outputs risks undermining the entire process.
15. The consultation does not address that there will be occasions where the interests of Network Rail and operators/customers simply do not and never will align (e.g. on network access). This is why the continuation of the Network Code will be vital, even if on occasion parties agree to vary some of the terms.

Freight and National passenger operator route

16. DB Cargo supports the development of the FNPO and that the FNPO is the lead organisation for managing the interests of freight customers. However how the needs of freight customers are communicated to both the geographic routes and the NSO is critically important, and it

would be a serious error if the geographic routes in particular adopt a completely “hands-off” approach to freight, expecting the FNPO to “manage” all freight issues. Experience suggests there is some risk of this.

17. The cost scrutiny referred to in paragraph 9 on page 7 of the consultation must include route assets, costs and outputs and be carried out in such a way (and sufficient granularity) that effective and timely change can be effected.
18. In particular DB Cargo will expect the FNPO to have accountability for “freight only” costs and assets (including track and signalling) even if those assets are managed by the geographic routes, and to be incentivised to improve freight efficiency and reduce freight costs. We would strongly recommend the development of a “Freight Efficiency Benefit Sharing” mechanism between the FNPO and FOCs, separate to REBS.
19. Equally, the FNPO must be accountable for freight enhancements and freight third party investments (e.g. new terminal connections). The role to ensure consistency and appropriate prioritisation by delivery agents of cross-route programmes (e.g. Felixstowe to the North) will be critical.
20. It would be helpful if there was greater clarity as to :
 - a. What the Governance arrangements will be for both the geographic routes and the FNPO and how they will link together;
 - b. What the day-to day working arrangements and processes will be between the geographical routes and the FNPO in respect of:
 - i. Business Planning, including both OMR and enhancements;
 - ii. Day to day operations, maintenance and renewals activity;
 - iii. Train and Access Planning, and what the role of the NSO will be.
 - c. how differences of opinion, action or behaviour between a geographic route and the FNPO (and where relevant the NSO) in respect of freight will be handled.
21. Unfortunately, DB Cargo remains unconvinced that the FNPO will be resourced to a sufficient level, or skill set, to facilitate and manage such considerations on a nationwide basis.

National system operator strategic plan

22. DB Cargo notes there is a separate consultation on the NSO, but we support the development of a NSO strategic plan.
23. For a national operator such as DB Cargo, the NSO role and activities are critical and we would welcome much greater clarity as to how the NSO is being developed and what the interfaces will be with both the geographical routes and the FNPO.

Governance

24. DB Cargo supports the processes and outputs being transparent.
25. Whilst noting the ORR’s reluctance to be prescriptive, a balance has to be struck between lack of prescription and appropriate consistency and alignment to ensure national network benefits are not lost. The consultation is silent on how this will be achieved beyond the reference to continual engagement between the ORR and Network Rail and possibly the

references to NR's assurance processes.

26. DB Cargo currently has some concern with respect to the Governance arrangements relating to devolution. We understand that the proposals for Route Stakeholder Boards remain at an early stage of development, but it is critical for national operators such as DB Cargo that the arrangements relating to geographic routes, the FNPO and the NSO align in ways that allow freight customers interests to be managed as effectively as those of dominant TOCs – whether in terms of business plans, scorecards or day-day operations. It is not evident yet – for example within this consultation – how this will be achieved with the situation being high on aspiration and intent and low on the detail of what will be introduced.

Stakeholder engagement

27. DB Cargo notes that Network Rail has now begun the process of involving operators in the business planning process with a series of workshops in February. This is welcome, but for national operators it is unfortunate that some duplication of workshops on the same day is already apparent.
28. It is not yet clear whether this is a “one-off” process or the start of something more continual and clarification of this would be helpful.
29. It is not evident that either the ORR, or DfT, acknowledge that the involvement of operators hitherto in the Network Rail business planning process has been almost non-existent. It is equally not clear that the ORR or DfT acknowledge that operators do not always possess the necessary skill sets (e.g. in asset management) to inform NR's plans and expenditure. Operators can contribute more easily in areas such as operations and capacity planning where there are common skill sets and experience.
30. Given the enormous information asymmetry between NR and operators in many areas, transparency of data (and its ease of use) will be critical.
31. Experience from British Rail's sector management organisation suggests that benefits can be achieved, but significant benefits will take a medium term (3-7 year) rather than short (0-3 year) time horizon – it is important that neither ORR nor DfT have unreal expectations of this process.
32. It is not clear how different geographic routes will prioritise different (and often conflicting) stakeholder demands nor how consistency or alignment between routes will be achieved. This is critical to prevent mixed or contradictory message being sent to customers and markets.
33. It is vital that all of the geographic routes, the FNPO and the NSO clearly define the expected outputs and outcomes of their plans.
34. The ORR expectations of the process are considerable and will pose a challenge to operators as well as Network Rail. DB Cargo has a serious concern about the ability of the industry to achieve the timescales implicit in the consultation.

Route objectives, scorecards and metrics

35. DB Cargo is supportive of the development of scorecards, but would welcome more clarity on how the existing scorecards (in whose development operator engagement was limited) will change or develop and how they will align to regulated outputs (are the scorecards themselves to be regulated?) and the other objectives set out on page 13 of the consultation.
36. It is important that the number of measures is proportionate and that there is no undue administrative burden either on Network Rail or other parties.

Efficiency

37. DB Cargo is supportive of the ORR concentrating on driving plans for greater efficiency but would welcome a clear expectation that reducing outputs will not normally be categorised as efficiency.
38. DB Cargo would welcome some recognition of the impact that Network Rail inefficiency can have on operator (whether TOC or FOC) efficiency. The consultation is also silent on how any such issue would be addressed; it would be helpful if there even formal recognition that undue concentration on by Network Rail on Network Rail efficiency to the detriment of operator efficiency will in itself be unacceptable.
39. Equally there should be a clear expectation of, and process and incentives for, Network Rail to deliver efficiency improvements for customers and operators as well as themselves – for example in freight train velocity.
40. The ORR should set out clearly that asset sustainability applies in respect of all users and operators, and that the published capability of the network must be fairly and uniformly maintained – further examples of differential impact on operators such as freight (e.g. another Lewisham) have to be unacceptable and DB Cargo looks to the ORR to set a lead on this.
41. The Consultation is silent on how the process will link to the (currently quinquennial) process of determining Network Rail's revenue requirements which in turn determines track access and other charges. There is a clear link between these, as assumptions on efficiency are a critical element of the assessment of access charges. If the intention is for the planning process to become a rolling process – which is sensible in theory even if somewhat more challenging in practice unless managed by exception – then DB Cargo would welcome a greater understanding of what the links would be. If assumptions on efficiency that are made when access charges are set are evidently not being achieved, and the Business Planning process suggests that such non-achievement will continue, how would that situation be managed ?

Assurance

42. DB Cargo notes the proposed assurance administrative processes set out on pages 20-23 of the consultation. Whilst these are matters for the ORR and Government in conjunction with Network Rail, DB Cargo hopes that they will not have the (unintended) consequence of Network Rail becoming over-focussed on the processes themselves to the detriment of the management and operation of the network.



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13 January 2017

Y. M. Bulman

Periodic Review 2018: Consultation on draft guidance on Network Rail's strategic business plans

Thank you for the opportunity to respond to the ORR's consultation on its draft guidance on Network Rail's (NR's) strategic business plans (SBPs). We consider this consultation to be very important helping to support the user voice being placed at the heart of the rail industry, particularly by helping to facilitate an even more responsive NR.

Overall, we welcome the ORR's approach in the consultation document; we consider it aligns very well with the overall approach we set out in our response to the Initial Consultation Document and the various working papers during PR18. This includes our priorities around substantially increasing the role of NR's customers in setting its priorities, empowering routes and creating effective system operation, and supporting a safe and efficient railway. In some areas, however, we consider that the ORR could go further to maximise opportunities to create an even more responsive railway, focussed on the needs of users.

In addition to setting out our views on these issues, we have also set out our own emerging intentions in respect of the SBPs given the overlaps between our respective roles in this area.

Engaging stakeholders

We regard the active involvement of stakeholders in the development of SBPs as absolutely essential to ensuring that user needs are given even greater priority in the railway. To do so, we support a step change in the level of effective stakeholder engagement in the development of the SBPs, going significantly beyond that seen in previous periodic reviews. To assist with this process, we encourage the ORR to draw appropriately on the experience of other regulated industries, where stakeholder

engagement during regulatory reviews is more developed, including the examples of constructive engagement in civil aviation, customer engagement in the water industry in England and Wales, the customer forum approach in the water industry in Scotland, and enhanced engagement in the energy sector.¹

Against this broader context, we very much support the ORR's broad proposals for facilitating an increased level of stakeholder engagement in the development of SBPs. In particular, we welcome the emphasis on ensuring proactive engagement and genuine dialogue (as set out in paragraph 41) and agree that this should be a central aspect of the ORR's assessment of the SBPs.

However, to facilitate this process and ensure greater clarity, the ORR should clearly set out what effective engagement looks like and the core stakeholder engagement principles which the ORR will use to evaluate the SBPs. This should be framed in such a manner to enable considerable room for productive discussions between NR and its customers and stakeholders to take place, helping to facilitate and build a genuinely more co-operative and trusting relationship, rather than setting out detailed regulatory requirements which may prove an obstacle to effective and meaningful stakeholder engagement.

In this regard, the ORR may find it helpful to set out broad principles of the type that OFWAT has developed for stakeholder engagement in regulatory reviews of the water industry in England and Wales.² These include, amongst other things, an emphasis that engagement must be unambiguously the responsibility of the infrastructure provider (in this case, NR), that NR must demonstrate that it has done it well and that the process must facilitate effective and ongoing customer challenge (both during the periodic review process and beyond)³. We also think it is important there is a clear obligation on NR that it must provide resources to facilitate this process. All parties should also be clear on how the process will develop, particularly after the stakeholder workshops in February.

In addition to NR's direct customers such as passenger and freight train operators, we would encourage the ORR to be even clearer about its expectations in relation to end user engagement, which we consider a particularly critical element of the SBP process. This should, in our view, include a clear statement about the expected, significant roles of end-user representatives such as Transport Focus⁴ and freight shipper representatives, as well as the role of local government and business bodies with an interest in their activities; this should help ensure that these bodies have the necessary resources in

¹ In this regard, we note the very useful review of customer engagement during the OFWAT PR14 process, as well as the analysis of approaches to customer engagement in other regulated sectors in UKWIR, *The future role of customer and stakeholder engagement in the Water Industry (2015)*, available at: <https://www.ukwir.org/doc/143212>. We also note the extensive writings of Professor Stephen Littlechild on this subject which provide a number of highly practical means to facilitate effective customer and stakeholder engagement in regulated sectors.

² See Chapter 2 of the OFWAT's *customer engagement policy statement and expectations for PR19* at http://www.ofwat.gov.uk/wp-content/uploads/2015/12/pap_pos20160525w2020cust.pdf. We also note the OFGEM principles for enhanced engagement which we consider provide a strong basis for the behaviours which are likely to be important to secure effective engagement.

³ We are focussing in this response on the SBP planning process. However, genuine stakeholder engagement by NR's routes in the process of preparing their delivery plans after the final determination will also be important. It may be useful to highlight this in the guidance.

⁴ We are aware of various steps that have already been taken by Network Rail which involve Transport Focus. We consider it important that they continue to further develop this engagement.

place to maximise the opportunities that engagement provides.⁵ Additionally, in order to further increase the passenger influence in the SBP process, we consider it is vital that NR's routes are required by ORR to demonstrate that they have considered passenger market research and evidence of actual passenger behaviour in preparing SBPs – evidence from behavioural insights is in our view important to ensuring an approach fully focussed on how passengers actually behave.

We note that the ORR proposes to focus on stakeholder engagement during stage 2 of its scrutiny of the SBPs. Whilst NR must be given sufficient time to engage closely with its stakeholders, we suggest that this scrutiny of stakeholder engagement forms at least a part of the stage 1 process. If not, there is a risk that there will be insufficient time in the regulatory process for the routes to address any issues with stakeholders. The ORR playing a role in facilitating ongoing, effective engagement will be an important means to address this.⁶

Finally, we note that as this process develops, there may be merit in considering the possibility of appropriate changes to the Network licence to support this process of substantially improved engagement, should that be necessary. We encourage the ORR to consider that.

Empowering routes and effective system operation

Effective route level commitment and ownership

We strongly endorse the emphasis on effective route devolution in the draft guidance. This is, as the ORR highlights, essential for establishing a credible devolved structure. The consultation document recognises that NR's central functions may, in some circumstances, find it necessary to amend routes' plans. We accept that this may be the case, but would expect that such instances would be kept to an absolute minimum, to maximise the extent to which route managing directors are bought into and fully accountable for the delivery of their SBPs. We also agree that it is essential that where amendments are made to the plans submitted by routes, both the nature of the amendments and the reasons for them are communicated as clearly and transparently as possible.

More generally, we are aware of some stakeholder concerns about the need for clarity about accountability for the production and delivery of the SBPs, and what happens in instances of disagreement between the route and the centre. We consider that the guidance could be further strengthened to set out clearly the ORR's expectations in this area.

Route objectives, scorecards and metrics

⁵ We also note that there would be merit in being clear about the expected role, if any, of the ORR's consumer expert panel in this process given the important roles that similar bodies have played in relation to regulatory reviews in the water and energy sectors, for example.

⁶ We note that there are risk associated with such an approach if it ultimately results in NR engagement being unduly focussed on the ORR. The ORR may find it helpful to consider the role of the Water Industry Commission for Scotland in playing an active facilitator role.

As indicated in our response to the Outputs Framework working paper, we regard the establishment of credible scorecards, agreed between customers and NR's routes, following effective engagement, as a critical tool for aligning industry objectives to support the needs of passengers and freight customers. We were unclear what the ORR considered its role to be in relation to this very important issue from paragraph 47 of the guidance. In our view, however, it seems important that the ORR plays a significant facilitating role in ensuring effective and meaningful scorecards, providing effective regulatory oversight to support that.

Additionally, as the ORR acknowledges in paragraph 44 of the consultation document, it is essential that routes' objectives are aligned with the HLOS and SoFA. We also consider the further inputs identified in paragraph 46 to be very important, with particular emphasis on supporting the delivery of commitments in operators' franchises. We will continue to work with the ORR to facilitate this, particularly by considering the most effective means to align objectives and metrics between franchises and Network Rail in the interests of rail users.

Enabling comparison and injecting a more competitive dynamic

The enabling of comparison between routes is one of the key objectives of route devolution and we expect it to function as a strong incentive for routes to improve their performance, efficiency and the service they provide to customers. While we regard it as critical that routes lead on the SBPs, we do agree with the statement in paragraph 24 of the consultation document that the centre should provide guidance and templates to the routes to ensure that data is presented in a means that facilitates comparison.

We also agree with the ORR about the important role of grading of the SBPs, with higher quality SBPs benefitting from different regulatory treatment and reputational benefits for the route involved (through publication of the grades, perhaps in the form of a "league table", and specific examples of good practice). As in other regulated sectors, this should provide a competitive dynamic leading to greater delivery of high quality and effective SBPs. However, to maximise the effectiveness of these incentives, we consider that it would be helpful for the ORR to emphasise the benefits of higher quality SBPs, as well as the consequences of more limited SBPs, in the final guidance.

Moreover, while we are very supportive of route based comparisons, we consider it important for the ORR to consider some comparisons of NR's routes with infrastructure managers in other comparable sectors, which may have different business models and approaches. This will help ensure that the ORR can effectively address any systemic issues within NR, creating even stronger incentives for efficiency and effectiveness.

The Freight and National Passenger Operator (FNPO), the National System Operator (NSO) and NR central function plans

As stated in our previous responses to the ORR's working paper on route level regulation, we regard the development of a credible and properly empowered FNPO route as an essential component of the devolution programme. We therefore regard it as a necessary step for the FNPO route to develop and deliver its own SBP that will be comparable with those from geographical routes, crucially in relation to effective stakeholder engagement,

excluding sections that flow from the fact that the FNPO route does not own or manage infrastructure assets.

Alongside this, it is important that geographic routes are sufficiently incentivised to work with freight to appropriately prioritise freight outputs. It would be helpful for ORR to clarify how it expects the FNPO will interface with the geographic routes in practice, including how route SBPs and the FNPO route will be aligned, and how freight will be represented at route boards.

Turning to the NSO, as our previous consultation responses have made clear, we consider an effective NSO is a crucial part of PR18. In this regard, the proposals set out on page 8 of the consultation document regarding the NSO's SBP are, in our view, practical and should assist with the process of establishing an effective NSO. We also particularly highlight the importance of effective stakeholder engagement between the NSO and their customers as a key element of the strategic planning process, with the NSO needing to clearly demonstrate how it has effectively engaged with the routes (including the FNPO) as part of the SBP approval process.

Finally, we would want to emphasise the clear importance to us of setting a very clear expectation that the process for scrutinising the SBP of NR's remaining central functions, such as Infrastructure Projects and central telecommunications, also reflect effective engagement with the routes and with stakeholders, so that they support effective route based, customer centred approaches. This process should enable an appropriately granular process to ensure stakeholders have an opportunity to influence particular central functions which they may be most concerned about.

Securing a safer and more efficient railway

Efficiency and financial performance and asset sustainability

As particularly demonstrated in the most recent Network Monitor, there are significant concerns about NR's operations, maintenance and renewals performance in CP5. We regard securing significant improvements in financial efficiency as a critical objective for CP6. To that end, we would find it helpful for the ORR to provide more detail, even at this relatively early stage in the process, in the final version of the guidance about its approach to securing efficiency through the SBP scrutiny process. This could helpfully include information on how it will use the comparative data from the routes (and other sources) to secure significant efficiency improvements. Whilst this process should be proportionate, we would encourage the ORR to ensure sufficient resources are in place to maximise the effectiveness of this process to ensure a more efficient railway in the future.

Linked to this, we would also wish to see a strong emphasis on asset sustainability, which is important for underpinning improvements in both efficiency and network performance. The proposals set out in paragraphs 56-58 appear to us to be sensible, but we would like to highlight the weight we attach to this issue given its importance to ensuring a safe and effective railway.

Health and Safety

We have already set out in our response to the Initial Consultation Document that one of our priorities is to maintain and, where appropriate, enhance the safety of the network. We are clear, however, that improvements in safety must be accompanied by improvements in financial efficiency. We would expect that, in its scrutiny of SBPs, ORR would examine whether routes' plans to ensure safety are economically efficient. We consider that this could be usefully reflected in the final version of the Guidance.

Structure of the submissions

We agree that the proposed structure for SBP submissions outlined on page 5 of the document is a practical means of presenting the documents. It is particularly important that the T0 documents are approachable and digestible by a non-specialist audience; we wish to encourage wide involvement in the rail planning process, including from parties who may not have previously been involved in the rail planning process.

On a similar basis, we would wish to see the T1 plans for each route presented in a manner which is accessible to key local stakeholders. We wish to see both a greater emphasis on the end-user and to ensure that, in NR's plans, there is a greater consideration of the role of third party funders. Ensuring that each route's strategic plan is comprehensible by those groups, at least at a high level, is critical for promoting effective engagement. It is likely that the bulk of our own pre-submission scrutiny of the SBPs will centre on the T1 documents, making use of the T2 documents only where essential.

Government's role in respect of the SBPs

Under the arrangements put in place in the DfT/NR framework agreement following the reclassification of NR to the public sector, the Department for Transport is required to approve NR's SBPs before they are submitted to the ORR for scrutiny. We are in the process of developing our thinking on what this approval process might look like in practice. However, our emerging view is that this approval process should not cut across or seek to duplicate the role of the ORR, which should continue to play the central role in ensuring the SBPs are challenging, credible and focussed on the needs of users. We are therefore considering a targeted approvals process, based around four tests.

- 1) **Is the SBP consistent with the HLOS?** A sense-check to make sure there are no material discrepancies.
- 2) **Has NR's Board assured the SBPs and properly engaged with the routes that developed them?** In particular, has it satisfied itself as to the affordability/deliverability/achievability of the commitments?
- 3) **Has there been a thorough consultation with the full range of stakeholders, such as TOCs, FOCs and other end users?** We may seek evidence of engagement with customers, including through our own dialogue with Train Operators, but will take care not to detract from the role of the ORR in this area.
- 4) **Does the SBP address other major funders' intentions?** The Framework Agreement is clear that the Scottish SBP will be approved as part of this process, and the existing Memorandum of Understanding between DfT and Transport Scotland requires consultation on this issue. We will work closely with Transport

Scotland on this issue. Likewise we will want to be satisfied that the intentions of other major funders such as the Welsh Government, TfL, Merseytravel, Local Authorities, Subnational transport bodies and Local Enterprise Partnerships have been considered and adequately addressed.

In other words, DfT "approval" should not be taken to mean that DfT is content with every detail of the SBPs. Rather, it means we are content that they are at a suitable stage for submission to the ORR. We would, therefore, expect there to be the scope for quite considerable changes following discussion and scrutiny.

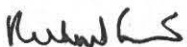
We will continue to develop our thinking in this area and will provide a further update later this year. To avoid any scope for confusion it will be important to continue to work closely together.

Conclusions

We consider that ensuring an effective process for the preparation and scrutiny of the SBPs is a highly significant aspect of the PR18 process, providing a significant opportunity to ensure a stronger user voice in the railway.

We welcome the ORR's draft proposals in this area, whilst encouraging it to go further in particular areas to maximise the opportunity that this process affords.

We would be happy to discuss any of the contents of our response, either directly or as part of the forums facilitated by the Rail Delivery Group, and look forward to continuing to work with the ORR as it develops its final guidance.



Richard Carter

ORR PR18 Consultation on its

Draft Guidance on Network Rail's Strategic Business Plans

Response from Drax Power Limited

Drax Power Limited ("Drax") is the operating subsidiary of Drax Group plc and the owner and operator of Drax Power Station in North Yorkshire. The 4,000MW station consists of six separate units, which together can produce around 7-8% of UK generation. Three of these units have been converted to run on high density wood pellets (biomass). Drax is a predominantly renewable generator, having completed the largest, single site decarbonisation project in the EU.

Drax is heavily committed to rail and to optimising its use of the national infrastructure to deliver its business objectives. It welcomes the opportunity to contribute to the ORR consultation on its Draft guidance on Network Rail's strategic business plans.

General Observations

The guidance appears to be reasonable and has many aspects which are welcome and will improve Network Rail focus on its end customers. More specifically we welcome:-

- the requirement to consult with stakeholders;
- the explicit inclusion of freight end users in the list of stakeholders;
- the need for strategic plans to take account of the priorities of freight customers (para 27); and
- the requirement for plans to focus on how Network Rail intends to improve efficiency and capacity.

On page 5 you give an outline of the structure of the submissions you expect. Paragraph 2 of this suggests the documents you expect to receive. T1 outlines the specific documents from the various geographic routes as well as the FNPO and NSO. It mentions strategic plans 6 times in this section, obviously for clarity however, could this have been presented better?

T2 then adds detailed strategies, we take this to mean a detailed breakdown of a strategy as outlined in the 6 areas at T1?

It is at para 3 and 4 on this page that you then open up additional documents and data you expect to be included in the various SBP submissions. Should there not be a single section dealing with the submission format and content so it is clear and unambiguous?

The relationship between FNPO and the geographic routes needs further detail to ensure no ambiguity between the parts of Network Rail. For example, how will work and activity on either side of the relationship be allocated and accounted for; who has budgetary responsibility and accountability for it.

FNPO plan

Para 8 suggests FNPO may not have analogous expenditure plans. Whilst not analogous with the geographic routes, we assume FNPO will still have access to a strategic freight fund to deliver specific freight beneficial improvements. This may also be made broader to allow for FNPO requirements that may be outside of the current plans for the geographic routes.

In para 9, the ORR states that freight operators bear changes to costs directly through the Track Access Charges (TACs). We believe that this statement is fundamentally wrong as FOCs will have

sought to pass through the risk on TACs to their end users. Consequently, we believe that the freight customers have a strong role in challenging Network Rail's costs, in addition to the FOCs.

We would also note that as a large user of the network we have so far had no approach to contribute to the SBP's or scorecards as outlined in para 33, bullet 2. Additionally, we note in this same section at bullet 3 that perhaps FNPO would act as stakeholder on behalf of passenger and freight operators. We would suggest this would not be helpful to those organisations.

It seems unclear as to whether the need for revenue to cover its activities (last bullet point para 11) refers to the cost of running the team, or the full cost of running freight and national passenger services.

We note the proposal that FNPO costs, expenditure and revenues will be passed through to routes. The detail of these arrangements will be crucial in determining the effectiveness of the business plans. The Routes will be unable to forecast traffic levels, revenue and costs without the input of FNPO and the FNPO will be unable to deliver its promises without the appropriate performance and commitment of the Routes. If the allocation of costs and revenues are disadvantageous to either party the freight customer will suffer.

The FNPO is in a strange position whereby it is:-

- dependent on the FOCs for retaining/winning freight business;
- dependent on the NSO for planning efficient and sufficient capacity; and
- dependent on the Routes for delivery of service performance.

It is not clear from ORR guidance how the parties are going to agree priorities in their plans which are consistent with each other and with the overall requirements of Network Rail as a whole. To expand this point further, the FNPO is highly dependent on the NSO to deliver its plans due to the marginalise treatment of freight on the Network. The NSO can accept or refuse potential traffic on the basis of its view of available capacity and has a key role in the delivery of efficient plans for new freight services.

The FNPO should however be the champion for freight in Network Rail and in particular 'Better Freight'; better access, better paths, higher efficiency and developing and enhancing the network for freight. This is particularly true if Network Rail is to deliver the required market growth.

Para 37: The expectation here is focussed on the input from passenger groups and takes no account of the requirements for freight on the network. It talks about drawing on research into the value passengers attach to different priorities which gives a very clear steer on how you expect these issues to be resolved, but makes no reference to how freight points of difference are to be addressed. Considering that the DfT freight strategy is to support, and even drive, modal shift from road to rail (in the interests of budget spend on roads and also for the benefit of air quality), surely the rail freight piece needs a stronger voice when its points of difference are drawn out through this process.

NSO Plan

The NSO is crucial for the delivery of an efficient railway which optimises use of the available capacity. We believe that it can deliver some 'virtual enhancements' by making better use of the available infrastructure, by rationalising under used or redundant paths and offering higher velocity, better quality freight schedules. To do this however, it needs to be appropriately resourced and equipped with the technological support such as that offered by a mathematical optimisation tool.

Consequently, we believe that there is benefit in the stakeholders for NSO including freight end users, the developers of new terminals and potential customers.

Route Plans and Objectives

As outlined at para 45, funds will be limited. It then seems appropriate to outline a review process to ensure improvements are delivered during the period and that those improvements have a proportional benefit. You say this but give no specific guidance on how that proportional benefit should be measured. For example: two projects, one on the east coast mainline and one on a freight route, may be competing for limited funds. How will the comparative benefits of each be measured?

Para 46 makes it very clear in every respect that the stakeholder who is actually going to shape the Route SBP's will be driven by the franchise obligations. By contrast, freight will be taken into 'regard'. This potentially propagates freight trains being forced to run on the network at times when there is little or no passenger demand because the franchise requires it. We believe that the basis should be to run trains on the network at all times of day because there is a need and value to them running. Indeed the efficient use of terminals and rolling stock requires it if the traffic moved is to be viable by rail. This may then prioritise some freight traffic above a passenger or franchise objective. This should be at the heart of the SBP's.

Routes must engage with freight end users in their consultations. We have found that having Route MDs visit Drax has been beneficial for learning for both sides. If the Routes do not engage with freight, will the traffic be seen as an internal, inconsequential movement?

Routes need to have some specific targets to deliver for freight which could include reviewing and reducing the number of points in the network where freight has to reduce speed such as differential speed restrictions, route availability restrictions or permanent speed restrictions on freight routes.

Para 48 suggests FNPO are responsible for delivering key rail outcomes. We assume this means allowing a number of FNPO services to operate or moving a number of freight trains. The clarity on how FNPO does this against a backdrop of a geographic operator who is in close partnership with the incumbent franchise holder, suggests this may be more difficult to achieve than simply stating it. We have made the point earlier "How does the FNPO relate to and influence the geographic routes"?

Para 52 suggests the FNPO strategic plan would include a metric of network availability. Is that not for the routes and NSO to do?

Timing of Plans

We note that the plans are to be for 10 years, produced for the CP period and updated at least annually. The production of these plans is going to be quite an onerous exercise particularly with the requirement for full stakeholder engagement. It feels as if the ORR intends this to be a once every 5 years exercise with minor updates annually.

We believe however that the annual update should be thorough because:-

- Franchise duration does not coincide with CP periods;
- Freight flows can vary quickly as seen after the 2008 recession, and more recently the sudden decline of coal; and
- It needs to be relevant and live – a document that is used not 'done', with a strong link to scorecards.

We note ORR's intention to grade the SBPs but would ask:

- What happens with the grade?
- Does a plan have to pass or be resubmitted?
- Is there an appeal?
- How do you compare the plans of very different routes other than by looking at the process or document quality?
- Is the effectiveness of the plan not key? Is it best assessed/compared looking back rather before the CP starts?

Final Observations

Throughout the document it is clear funds will be limited, this is a worry for all.

At para 56 this is clarified in the context of bullet 2: "the condition and capability of the network as a whole is sustained in the short, medium and long term." The use of the word 'sustained' is a concern. The existing network is still grossly underfunded given the many issues out on the track which need to be resolved.

Speed and other restrictions prevail on routes regularly used by freight and passenger services, constraining capacity significantly. Technological advances which could unlock significant extra Capacity have not so far been embraced on our railways.

If we are settling for the above "sustained" position then we will actually be going backwards and that should not be the state of our railways in 5 or 10 years' time.

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Copy to: EMT Exec

Ref: ORR PR18\Consultation on NRSBPs

11 January 2017

Dear Emily,

PR18 Consultation – Draft Guidance on Network Rail's Strategic Business Plans

Thank you for the opportunity to respond to the recent PR18 consultation on the draft guidance on Network Rail's Strategic Business Plans for CP6.

The comments below are based on the consultation document published on 23/11/16 and we are also supportive of comments made in RDG's response to this consultation.

Governance

We welcome ORR's decision to increase focus on regulating each of Network Rail's route businesses and to compare data from the route strategic plans on a consistent basis. It is vital that the governance across all routes is consistently applied. Templates of Route Plans will allow ORR to compare data from different routes and help train operators who might want to challenge Network Rail's data across different routes. Nonetheless, we should not be restricted with strategic plans at route levels only; secondary level local plans with TOCs at relevant routes could increase responsiveness at a local level and be in a better position to deliver improvements to passenger and freight operators.

We also support ORR to make more use of comparison between routes when assessing Network Rail's plans and then hold Network Rail to account for delivery. However, the sign-off arrangements quoted in paragraphs 25 and 26 have no details of how ORR will hold Network Rail to account particularly when they underperform. It will be useful to see in ORR's draft guidance to Network Rail how the accountability element is managed and enforced.

Moreover, devolution of Network Rail's businesses is not new as Network Rail's restructuring to devolve control started in April 2011. The principle is good but it has not been extended deep enough and ultimately has not been implemented consistently across the routes. In our opinions, Network Rail thinks that 'devolution' has already occurred whilst some operators are still waiting for it to occur. There are clearly lessons to be learnt from this 'devolution' that took place six years ago

if Network Rail wants to continue to make improvements and to deliver a better service to train operators and passengers.

Stakeholder Engagement

Stakeholder engagement will certainly help Network Rail understand priorities of train operators, passengers and freight operators; it will also provide stakeholders with opportunities to engage widely in the preparation of the strategic plans for the geographic routes. That said, it will only help if Network Rail improves the engagement with stakeholders i.e. train operators, local funders, local transport providers etc and relates engagement to its core business activities. This is not another mundane task that Network Rail needs to complete to simply tick a box. Therefore, we would want Network Rail to set out clearly how it proposes to engage and with whom they engage in order to build the rapport continuously across various routes.

With reference to paragraph 30, ORR will require in Network Rail's September guidance to its routes to explain how Network Rail has engaged with stakeholders and how they have prioritised their needs. It will be useful to see all stakeholders' aspirations across all the routes. Thus, Network Rail would need to highlight which stakeholders' initiatives have not been included and why they have not been included, and how Network Rail manages conflicting stakeholders' aspirations if there are any.

We agree that train operators can help and work together with Network Rail to increase efficiency and reduce industry-wide costs. Train operators could develop the stakeholder plan for engagement with Network Rail and make sure that Network Rail's approach with stakeholders is consistent across each route. However, stakeholders' ability to inform Network Rail's plans and expenditure projections is limited because train operators do not have much technical expertise in rail infrastructure and signalling systems. Most importantly, ORR must be mindful of the limited availability of TOCs' resources to manage the interface with Network Rail's various route levels and the needs to have a resource in TOCs to assess Network Rail's plans and to challenge when it is necessary as they are not funded through the franchise process.

Route Objectives, Scorecards and Metrics

We welcome ORR's requirements for Network Rail to include stakeholders' input in the preparation of their route objectives and to consider the extent to which they can plan to support the delivery of commitments in future franchises. This is important to passenger operators (existing and future franchises) and must be supported by clear evidence so that the franchise process can be aligned better with Network Rail's strategic business plans.

The role and purpose of route scorecards are still vague. The use of scorecards may be a useful management tool for providing data and information, but it is not clear how they are monitored and how they are regulated when things are not being managed effectively. We would like to understand how each of the route scorecards are agreed with train operators and how they are going to be monitored and managed on an on-going basis. Ultimately, we would like the ORR to clarify how it would hold Network Rail accountable for non-delivery of the scorecards.

For those regulated outputs ('consistently defined metrics') outlined in Paragraph 51, it will be helpful for Network Rail to explain how those metrics reflect the needs and requirements of route stakeholders and how the outputs are measured.

It is noted that renewals delivery has become less efficient during CP5 and there are increasing pressures on improving efficiency and increasing the reliability of assets. There is a lack of visibility and understanding of Network Rail's current status of assets and it is difficult for train operators to

challenge this particular area if the data is not available. With respect to maintenance and renewals, there may be base plans set for each control period but we are not certain what Network Rail's monitoring and evaluation process is and therefore it is unclear what percentage of the works set out in the base plans have been undertaken and at which routes on a national basis. Hence, we would like greater transparency and specificity with renewals activity volumes by asset category in Network Rail's route strategic business plans. Also, there must be a robust change control mechanism if there is any deviation from the route plans.

I hope this input is useful. We are looking forward to working with the ORR and the rest of the industry to take this workstream forward.

If you would like to discuss this in further detail, please feel free to contact me.

Yours sincerely,

Lanita Masi
Track Access & Network Change Manager

Essex County Council's response to the Office of Rail and Road (ORR) PR18 consultation - Draft guidance on Network Rail's strategic business plans

This is the formal response to the Office of Rail and Road (ORR) PR18 consultation - Draft guidance on Network Rail's strategic business plans consultation submitted on behalf of Essex County Council.

This response has been developed following discussions with officers with expertise in the areas of highways and transportation, strategic planning, economic growth and the environment, and has been formally agreed by Cllr Kevin Bentley; Deputy Leader and Cabinet Member with responsibility for and Economic Growth, Infrastructure and Partnerships.

Essex County Council is the Highways and Transportation Authority for the administrative county of Essex. Essex has a population of 1.4 million people and supports 766,000 jobs, it is home to over 73,500 businesses and generates over £30bn per year for the UK economy. The rail network is key to the prosperity and vitality of Essex, connecting the rapidly growing urban centres of Chelmsford, Colchester, Braintree, Harlow and Basildon with London and the rest of Great Britain. The rail network also provides essential access to the Thames and Haven Ports, and Stansted and Southend Airports. An efficient and effective rail network is therefore essential to Essex and the UK as a whole.

ECC played a key role in the development of the Rail Prospectus for East Anglia; authored and supported by a strong cross-party and multi-agency alliance of MPs, county councils, Local Enterprise Partnerships, other local authorities, businesses and rail user groups across the four counties of Essex, Cambridgeshire, Norfolk and Suffolk. The Prospectus put forward the case for a realistic and technically feasible 20 year programme of improvements which will help create thousands of jobs and unlock billions of pounds of growth for the UK economy. Essex is also an active contributor to the Great Eastern Mainline Taskforce and the West Anglia Taskforce established to further the case for investment in these two key rail corridors.

Passenger numbers in Essex are at all-time record levels and the rail network is already at or close to capacity, with further substantial growth expected to follow the provision of significant numbers of new homes across Essex.

With a growing population, and without significant levels of capital investment from Government, Network Rail, rail operators and other sources, Essex's rail links will be forced further beyond their capacity, affecting congestion and journey times for residents. Investment in our rail network is therefore essential to attract investment and unlock sustainable growth. Rail investment will relieve the growing pressure on our roads to accommodate increased movement of both people and freight.

Our underlying vision for rail services in Essex is improved connectivity for passengers and freight; improving services between all stations, not just to London, in terms of overall journey times and passenger experience, backed up by improved integration with other forms of transport.

This will only be achieved by providing a high-class, seamless whole journey experience from when passengers and goods start their journeys until they reach their final destinations.

Submission structure and route planning

Given the lead time of larger rail projects ECC would agree that it is essential for Network Rail to plan beyond CP6. The SBP should identify a forward pipeline of projects in development for future delivery based upon a clearly defined strategic case and predications of local growth.

Effective stakeholder engagement is essential if Network Rail is to fully understand local growth. Network Rail's Market Studies and Route Plans identify broad growth in passenger and freight demand, but growth will be focussed at certain locations. Greater local input is required to ensure that Network Rail's plans fully reflect both specific growth locations and the timeframe over which growth is likely to occur.

ECC also believes that greater focus needs to be placed on the whole journey; the route planning process focusses on track capacity, ensuring that an adequate number of trains can run to meet demand. The new Greater Anglia franchise expects significant growth in demand and will be providing a new fleet of trains with additional capacity. Meeting the demand for rail travel extends beyond the provision of more trains; passengers need to be able to get on and off the train at a station that is appropriate for local demand. This increase in passengers will require the remodelling of some station such as at Liverpool St and the construction of new stations such as Beaulieu Park if station capacity is not to limit growth.

Governance

Local stakeholders have a key role to play. While closer working between NR and the TOCs is welcome; ECC would emphasise the need for closer working with local transport and planning authorities to fully understand local growth and to integrate rail with other transport networks.

Stakeholder Engagement

Network Rail should be required to cooperate with local transport and planning authorities to fully integrate local growth plans and the wider transport network into

their plans. This approach would also enable the rail industry to identify funding opportunities generated by local development.

ECC would welcome guidance from the ORR to Network Rail that identifies local authorities as key stakeholders and requires Network Rail to fully engage in the delivery of local growth aspirations.

With specific reference to Paragraph 33.

- ECC would welcome guidance from ORR to NR that clearly identifies local transport authorities as stakeholders.
- NR should also be required to consider the views of potential passengers who do not currently chose to use the network to better meet the needs of the public as a whole.

ECC would favour an on-going relationship with Network Rail and the wider rail industry that builds and improves mutual understanding of local issues and aspirations rather than a relationship governed solely by the PR18 process. This approach would ultimately lead to the development of a better long term plan with greater stakeholder buy-in.

Route objectives

Network Rail should prioritise projects that;

- provide users of the network with an improved service,
- support local growth,
- increase patronage (both passenger and freight), and
- generate income.

Key projects currently planned in and around Essex such as the 4-tracking of the West Anglia mainline as a precursor to the introduction of Crossrail 2, and capacity enhancements on the Great Eastern mainline such as Bow Junction re-configuring and the provision of passing loops between Shenfield and Colchester meet all four of these criteria and are essential for the future prosperity of Essex.

Given the national aspirations for economic growth and the delivery of additional housing it would appear to be entirely reasonable for Network Rail to be subject to a specific requirement to facilitate growth. This requirement would be similar to that now imposed on Highways England and would, for example, greatly enhance the delivery of new Garden Settlements. Again; local authorities are well placed to provide detail on growth and its timing to enable Network Rail to better understand local network requirements and build upon. Another example would be Braintree where a significant number of new homes will be built, but the current hourly train service is unattractive; there is an opportunity to invest in an enhanced rail service

that will be attractive to passengers, supports local growth and will generate income for the rail industry.

It is important that Network Rail's plans also address the needs of freight transport. The Essex rail network includes nationally important freight routes particularly for intermodal port traffic from the Port of Felixstowe and London Gateway. The forecast growth in freight over the next 30 years is dramatic, essentially doubling each ten years and it is essential that Network Rail's plans ensure that both passenger and freight growth can be accommodated.

Signalling improvements are frequently cited as the long term solution to rail capacity. It is important that Network Rail looks to the longer term and improves its understanding of the opportunities that are actually achievable through the introduction of the "Digital Railway".

Rail passengers increasingly see uninterrupted access to mobile telephone and internet services as essential. Network Rail should be required to work with the telecoms sector to deliver a reliable and cost effective solution for all passengers.

ECC acknowledges that health and safety is an important area that Network Rail's plans need to address. Safety on the rail network should also be examined in a wider context looking at safety across the transport network not just at the interface with the railway. ECC is currently working with Network Rail on its Level Crossing Reduction Programme, a good example where risk needs to be examined in a wider context and safe, locally appropriate solutions developed

Network Rail should be required by the PR18 planning process to set out its on-going stakeholder engagement plan.

Contact details

Full name	Alastair Southgate
Job title	Transportation Strategy Manager
Organisation	Essex County Council
Email*	
Telephone number*	

Freight Transport Association response to consultation on draft guidance on Network Rail's strategic business plans

Further to ORR's consultation http://orr.gov.uk/data/assets/pdf_file/0004/23269/draft-guidance-on-network-rails-strategic-business-plans.pdf our comments are as follows:

From a freight perspective what is particularly important is that enhancement schemes are delivered in a co-ordinated manner that deliver end-to-end journey time, capability, and capacity improvements over end-to-end corridors for the particular freight flows concerned.

Also, that the needs of freight as a cross Network Rail route boundary operation are catered for at a practical level regarding timetabling, disruptive engineering network access, diversionary routing capability and capacity. In this regard the development of the System Operator role is key. It is also important that passenger train franchising - particularly in a context of increasing devolution of funding - recognises the timetabling and pathing needs of freight to offer customer service.

Further it is important to reiterate that unlike passenger which while privately delivered is to a state franchise specification, freight is (apart from some modal shift grant) a private sector activity. Rail freight runs in response to customer demand, passenger in response to a state / funder specification of service. Demand for freight can and does change, dramatically so at the moment with the premature ending of coal traffic. This means that the axis of freight operation around container traffic and aggregates is likely to move geographically southwards and on to the more congested parts of the network.

This brings on to a further set of related points: cost, access, velocity. For rail freight to win more market share (and even to retain existing business) in the markets seen as potential for growth (deep sea and domestic retail intermodal) costs to the end user must come down, access for new traffic to the network must become easier, and end-to-end journey times must improve. Road freight is constantly improving its price (and environmental) efficiency. Rail must do likewise. It is therefore vital that efficiencies that affect price inputs such as network enhancements and OMR and FOC efficiency see their way to the customer as cost reductions. Cost increases such as happened with freight Track Access Charges in the last Periodic Review must not be repeated as they seriously damaged customer confidence in freight. It must never be assumed that a particular traffic is "captive" to rail: if costs or service levels shift against rail then customers will seek innovative means of using other transport modes that offer cost savings.

Please feel free to contact me if you wish elaboration on any points.

The Freight Transport Association represents the transport interests of companies moving goods by rail, road, sea and air. Its members consign over 90 per cent of the freight moved by rail and over 70 per cent of sea and air freight. They also operate over 220,000 goods vehicles on road – almost half the UK fleet. The main rail freight operating companies belong to FTA as do the major global logistics service providers operating in the European and UK market.

FTA's Rail Freight Council includes all parties to the rail freight supply chain, including rail freight operating companies, Network Rail, wagon builders, logistics service providers and bulk, intermodal and retail shipper customers.

Regards,

Chris MacRae

Chris MacRae FCILT
Head of Policy – Rail Freight and Scotland
Freight Transport Association

Office of Rail and Road PR18 Consultation

Draft Guidance on Network Rail's Strategic Business Plans

Response from Freightliner Group

January 2017

INTRODUCTION

This is the response of Freightliner Group Limited encompassing its subsidiaries Freightliner Limited and Freightliner Heavy Haul Limited to the Office of Rail and Road's (ORR) consultation on the draft guidance on Network Rail's Strategic Business Plans.

PERIODIC REVIEW PRIORITIES

Freightliner's priorities for the Periodic Review 2018 are:

- A continued emphasis on improving safety
- A stable, national and simple charging and incentives framework, which does not increase the overall level of charges paid by freight operators
- Reducing overall industry unit costs and delivering efficiency
- A greater focus on optimisation of capacity and careful balancing of passenger and freight needs by the System Operator
- Delivery of value for money outputs through a long term programme of infrastructure enhancements
- A customer focused ethic throughout Network Rail and a supplier who wants our business to be successful

OVERVIEW

1. Freightliner is supportive of the publication of guidance on Network Rail's Strategic Business Plans. It is helpful to provide a framework which is understood by all parts of the rail industry.
2. We are supportive of the focus on improved transparency and accountability.
3. In particular we welcome the separate business plans for the Freight and National Passenger Operator Route (FNPO) and the System Operator. We consider both of these very important in supporting our business aims and supporting our customers.
4. A greater emphasis on cost and efficiencies throughout the Strategic Business Plan process is needed. It is a high priority that the railway system is able to control its costs and make it competitive with other modes of transport.
5. Freightliner strongly supports the increased transparency and granularity of Network Rail's costs that route regulation will trigger. Better understanding of costs will provide the basis for further cost savings and efficiencies going forward. We recognise the considerable cost efficiencies that Network Rail has already delivered, but note that in CP5 the regulated cost targets will not be achieved. Reducing rail industry costs and delivering efficiencies going forward remains of utmost importance, especially in a

constrained funding environment. The railway must be able to demonstrate to government that it is in control of its costs and can offer value for money. We suggest that the documents describe both the challenges and opportunities around unit costs and the levels of work required to continue to run a safe and sustainable network.

6. The SBPs of each Route should list out the efficiency programmes that it is undertaking, including through technology or innovation. It would also be helpful if Routes could describe the barriers to achieving efficiencies and what the rest of the rail industry could do to support and enable delivery.
7. We welcome the introduction of scorecards, and their inclusion in the SBP, as a way to measure Network Rail's performance. Further development is needed to clarify their role, in particular with regard to the balance of internal Network Rail targets and delivering for customers. The role of the Route Supervisory Boards, whilst not part of this consultation, will also play an important role in increasing transparency and delivering for customers. It is not yet clear how these will be formulated and in particular how the voice of freight operators will be adequately taken into account.
8. Scotland Route holds quarterly Freight Joint Boards which include both freight operators and customers. This format works well as it allows freight issues to be discussed regularly with the route with tracking of actions. In particular it has created a forum whereby the Route can hold the freight operators to task by challenging on the requirement for specific bits of infrastructure. This is a format that should be considered for other Routes though perhaps with a bi-annual frequency, it is important that there is an on-going relationship both ways between freight operators and Network Rail Routes.
9. Clarity is needed on the link between outputs included in Route scorecards, the regulated outputs for Network Rail and other objectives
10. As a package we are not yet sure that the governance and regulation of route based devolution will adequately take into account freight operators and the needs of our customers. We do recognise that this is still work in progress to ensure that the Routes are adequately incentivised to consider the rounded requirements of freight operators.
11. It is not yet clear how the FNPO SBP will be linked to the Route SBPs, Scorecards, regulated outputs and governance. The outputs from the FNPO SBP should be mirrored in the Route plans and vice versa (where applicable) but it is unclear at this stage whether that will be the case.
12. It is unclear how the FNPO will have sufficient authority over delivery, and what format the relationship between the FNPO and the Route will take or how the Routes will be held to account to deliver the FNPO SBP. This will likely be exacerbated in the event that the measures are not consistent and mirrored between the FNPO and Route scorecards.
13. We are particularly concerned that both the FNPO and geographic Routes have the right balance of incentives. Over CP5 and previous Control Periods there has been too great a focus on performance outputs without any balancing metrics for efficient capacity usage or for example journey time.
14. From the draft Route scorecards that we have seen, we are concerned that the measures proposed will likely continue to over-incentivise performance. The inclusion of only a Freight Delivery Metric, disaggregated by Route, is unlikely to incentivise the

Routes to consider areas that would lead to improvements for customers. It should be recognised that for freight operators the development of new business and efficiency measures such as longer trains and improved journey times are as important as reliability.

15. The guidelines are not clear on who is accountable for the delivery and sponsorship of enhancements and so this needs further explanation. Specifically we are interested in clarity on who is responsible for sponsorship and delivery of freight schemes, and in particular who is responsible for the delivery of the intended outputs; it is not sufficient to finish the physical works without supporting the delivery of the outputs for example a gauge clearance certification or a revised train plan.
16. Clarity is sought specifically on responsibility for delivery of the outputs from Digital Railway programmes . At this stage it is unclear to us whether this is the Digital Railway team or the Routes; it would be helpful if this could be clarified as part of the SBP process.

Scorecards

Route scorecards

The draft of the geographic Route scorecards we have seen to date only includes a freight performance measure, there are no other metrics included which would lead to improvements for customers or the delivery of new freight business to rail. A key part of the rationale for the further devolution of power was to enable the Routes to be closer to their customers. To do this the Routes need to consider the factors that are important to customers and this drives the need for a balanced Route scorecard. Focusing solely on reliability will not promote the appropriate balance. We raised this issue in our response to the ORR's initial consultation on the periodic review in July 2016. We observe that there is still a focus on performance as the default and single output.

In particular we would like to see a balance of metrics which include:

- a safety metric which includes operator staff on the rail network, as well as Network Rail staff
- A metric to encourage new business - a crude measure would be freight kgtm
- A metric which supports improved efficiency of freight operators - to reflect for example enabling longer trains - through supporting Service Plan Review programmes. Suitable metrics could be average train length or tonnes moved per train.

We are very concerned that if the geographic Routes are only incentivised on freight performance they will have no incentive to support new business. Unlike passenger operators, freight operators must continually develop new business even to keep overall traffic volumes stable. To develop a new flow of business requires support from Network Rail, and there are often hurdles to be overcome that both operator and Network Rail need to work together to bring success.

The Route Scorecards should recognise that freight operators and their customers do not have exactly the same business objectives as passenger operators.

System Operator Scorecards

We note that the System Operator (SO) is subject to a separate consultation that we have also responded to.

The System Operator will play a vital role in supporting better use of capacity on the network and their scorecard should reflect this objective. We do not think that the SO has a great role in delivering performance and this should only be a small percentage on their scorecard.

The SO has a very important role in supporting efficiency of freight operators' services, in particular with regard to reducing average journey time. Journey time was an issue that was highlighted in the Department for Transport Rail Freight Strategy issued in September 2016 as requiring action. A metric such as average miles an hour for freight services (currently in the region of 25mph) or pathing time in schedules per 100 miles could be tracked over the Control Period. This would have both safety and efficiency benefits.

FNPO Scorecard

This scorecard should have an appropriate balance of metrics and in particular should reflect the priorities identified in the DfT's Rail Freight Strategy.

We broadly support the requirements for the FNPO SBP. There is a reference to the need to cross refer to other SBPs, however there is no mention elsewhere of how other SBPs will cross reference FNPO - the outputs in both sets of documents should be mirrored.

The delivery of the outputs for freight related enhancements will be important for the future growth of freight. Consideration of how this will be reflected in the FNPO and in the route and system operator scorecards needs considering and is a current gap. Above all there should be absolute clarity regarding who is responsible for delivering the outputs. In CP5 the sponsor of a scheme is responsible for delivering the enhancement itself but it is unclear who is responsible for delivering the outputs from an enhancement.

Stakeholder Engagement

Freightliner welcomes the opportunity to engage in the Strategic Business Plan process and would like to be invited to engage on all the plans that impact on us. We support the ORR's suggestion of recording the key points raised by stakeholders and if necessary any disagreements. We would expect an on-going relationship, with 2 way feedback, throughout the process to publication, not just a one-off consultation in February.

We hope that the engagement sessions in February will be a genuine opportunity to influence the composition of the Route scorecards for CP6.

We note that Routes are also expected to engage with our customers, but we would not expect this to replace engagement with the freight operators. The freight operators have a direct relationship with Network Rail and many of our customers expect us to act as agents in dealing with Network Rail on their behalf.

We suggest that any engagement with freight customers is done in a focused way rather than expecting them to sit through detailed presentations focusing on passenger outputs. Care is also needed not to just consider the requirements of those large customers that may engage, but all customers. Intermodal is the biggest category of freight moved, but

international shipping lines are unlikely to engage (they are generally primarily interested in price and delivery to promise and not the inner working of the mode of transport used).

We would encourage Network Rail to discuss with stakeholders the areas where they can support the delivery of Network Rail efficiencies.

Overall governance

The overall governance framework still feels undefined, and we remain concerned that FNPO may not have sufficient leverage over the delivery of outputs by the geographic routes.

There is an over focus on funded commitments, as they relate to physical works, rather than the delivery of outputs. We would welcome an evolution to enhancements being measured by the outputs they achieve relating to train services rather than delivery of a physical scheme. Clarity on who is responsible for sponsoring and delivering enhancements is needed - in the new structure this is not yet clear to us.

In many cases, freight customers are looking for outputs which may require 'effort' rather than investment, such as service plan reviews, timely elimination of speed restrictions within the maintenance programme, advocacy for new services and such like. These areas should be captured.

Health and Safety

We welcome and recognise the improvements that Network Rail has implemented over the last few years with regard to safety processes and systems. We would like to see a section in the Health and Safety section of the SBPs with regard to how Network Rail will work with the train operators to manage the risks to train operator staff, who have to access the Network Rail network - for example for freight operators' train drivers who join and egress trains in Network Rail sidings.

Third Party Funding

It would be helpful to have more clarity with regard to what is meant by reference to third party funding. The model for freight is already considerably different than for passenger with freight operators providing their own locomotives and both FOCs and customers providing their own wagons. In addition, terminals are funded by various third parties, including, freight operators, customers, ports and logistics companies.

All of the parties investing in rolling stock or terminals need a supportive infrastructure manager who can help to ensure that the intended outputs from investments made can be delivered. This is no different for any new types of investment that is attracted and the types of third party investments that already occur.

Emily Bulman
Office of Rail and Road
One Kemble Street
London
WC2B 4AN

10 January 2017

Dear Emily,

PR18 Consultation: Draft guidance on Network Rail's Strategic Business Plans

Thank you for the opportunity to respond to the ORR's PR18 consultation on how Network Rail should prepare its strategic business plans.

Govia is one of the leading rail operators in the UK and is a joint venture between the Go-Ahead Group (65%) and Keolis (35%). Govia has extensive experience running complex and challenging rail operations. Govia currently runs three major rail franchises: Govia Thameslink Railway (GTR), Southeastern and London Midland. Govia is the UK's busiest rail operator, currently providing around 35% of all passenger journeys. As a key provider of rail services, we welcome the opportunity to respond to your consultation regarding the 2018 periodic review.

This response represents the views of the three Govia-owned Train Operating Companies as well as Go-Ahead Group plc. Go-Ahead has participated in the industry response prepared by RDG and this is intended to supplement that response.

We support the high level aim of engaging stakeholders in the preparation of Route Strategic Business Plans (SBPs). As there is a large emphasis being placed on customer collaboration in developing these documents perhaps there should be a requirement for operators to formally endorse the final version of the SBPs, whilst recognising that determining the deliverability of the SBPs is not the role of operators. This would provide evidence that operators have been engaged continually throughout the process and that they endorse Network Rail's plans. It would also be helpful if Network Rail set out how it proposes to monitor the ongoing delivery of the SBPs and how stakeholders will be involved in this.

We agree with the ORR that there may be a role for new or existing passenger research to inform route plans, whilst recognising that aspirations of passengers may not always be affordable or deliverable. We also agree that there should be a separate SBP for each route, freight & National Passenger Operator and the NSO. We support the ORR's approach of having a separate settlement for the NSO as well as a separate SBP, which sets out the required outputs and revenue requirements. We will respond separately to the ORR's consultation on developing the regulatory settlement for the Network Rail NSO.

The consultation makes reference to identifying opportunities to save costs through better use of under-used infrastructure. It is unclear what the intention is; if it refers to operators routing trains via quieter lines, it should be remembered that most franchise operators run services to a tightly-specified Service Level Commitment, which specifies routes, calling patterns and journey times, leaving little flexibility for most operators.

With regards to health and safety, the section regarding track worker safety and AC/DC lines should include specific reference to sidings, yards and depots, including the TOC employees or contractors working within them. Network Rail currently focuses on main line assets only which we consider an ongoing risk. We would suggest an additional bullet point stating that the SBP should "set out how it [Network Rail] will work to reduce risks to users of network sidings and depots, including specifically risks from live conductor rails, raised walkways and limited clearances". We also believe there should be reference to environmental performance in the draft guidance as Network Rail should have obligations in this area at all levels.

In addition to explicit inputs for the value of renewal expenditure, the Route SBPs should also identify planned volumes of renewals for CP6. The consultation acknowledges that Network Rail's renewals delivery has become less efficient, it should not therefore be feasible for Network Rail to defer large volumes of planned renewals and achieve its renewals expenditure financial targets by simply not delivering all the planned amount of renewal work it had intended. The Route SBP focus should be on delivering the planned maintenance and renewal volumes at an efficient and appropriate cost, not necessarily just delivering the cost.

We would like to understand more about what regulatory oversight will be given to scorecards once the ORR has further developed its policy in this area. It is important that Network Rail has a clear and consistent set of objectives.

If you would like to discuss this response in further detail please contact Chantal Pagram, Head of Rail Policy

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Charlie Hodgson', followed by a horizontal line.

Charlie Hodgson
Managing Director, Rail Development

PR18 Consultation – Draft guidance on Network Rail’s strategic business plans

IOSH response to the Office of Rail and Road consultation



Submission

11.01.17



Introduction

The Institution of Occupational Safety and Health (IOSH), the Chartered body for health and safety professionals, registered charity and international NGO, welcomes this opportunity to comment on this important guidance on Network Rail's strategic business plans by the Office for Road and Rail.

The content for our submission has been provided by members from the IOSH Railway Group committee. This Group is made up of over 1,500 professionals with a common interest of rail as a specialist area. The Group offers a range of networking and professional development opportunities.

In brief, the aims of the IOSH Railway Group include:

- supporting UK and international members in developing and sharing professional competences relating to rail industry matters
- providing technical support to IOSH
- working closely with IOSH Branches, Groups and Forums, industry regulators, representative bodies and relevant professional bodies

Specifically, its activities include:

- holding and supporting networking and industry events
- reviewing and commenting on key issues
- promoting best practices

IOSH response

Following IOSH's input to the recent PR18 Initial Consultation and ORR's response, we are pleased to now comment on the draft guidance on Network Rail's Strategic Business Plans (SBPs)¹ and, in particular, how health and safety is best handled in the PR18 process. We welcome the developing position and increasing clarity on how health and safety will be considered as part of the PR18 process and we offer the following further observations and comments:

1. From a health and safety perspective, there is one interconnected network, which cannot be seen in isolation. 'Routes' use parts of the network and some operate over the same parts of the network. So we advocate a more holistic view is taken when considering strategic plans.
2. We believe that employees and the travelling public have the right to a railway network which has a continually improving standard of safety. This is consistent with the ongoing requirement to do what is reasonably practicable to ensure health and safety.
3. Investments in maintenance and renewals to the network present opportunities to improve health and safety and we agree with Network Rail that this should not be looked at in isolation. Some investment may be necessary because the network is old and at the end of its safe useful life, in other cases, it may be primarily to improve capability and efficiency. Whatever the case, when

targeting investment, the reasonably practicable standard demands an application of the balanced approach to risk and cost decisions. In this context the question, 'which investment best reduces overall system hazard and risk' needs to be addressed.

4. Network Rail has primary responsibilities under the Health and Safety at Work etc. Act 1974 as the infrastructure controller and needs to make decisions on reasonable practicability. So, we are not clear how ORR's statement in its conclusions to its initial consultation,² "...where it [Network Rail] makes investment proposals relating to health and safety in its SBPs, it should include robust business cases to make clear the value that these would bring." fits into this legal requirement. Reasonable practicability is about risk management and does not require the production of an additional business or commercial case. We note that this ORR requirement for a business case is now specified in the draft guidance, which says "We [ORR] expect the SBP submissions to set out proportionate business cases and rationale for health and safety projects for which Network Rail is seeking funding." (paragraph 60, p.16).¹ So, both the 'conclusions' statement and draft guidance could imply that ORR may not support (fund) Network Rail's fulfilment of its responsibilities for taking reasonably practicable decisions, which would be a concern. It should also be noted that Network Rail will also have some absolute health and safety duties (e.g. Reg. 4(1), Provision and Use of Work Equipment Regulations 1998),³ which must be complied with regardless of cost.
5. Effective health and safety risk management can help ensure organisations are legally compliant and also has many business and economic benefits⁴ for corporate reputation, resilience and results; however, its primary focus is to prevent injury, illness and death.
6. Recognising that ORR, (in common with DfT), is a duty holder under the Health and Safety at Work etc. Act 1974, with section 3 stating "*It shall be the duty of every employer to conduct his undertaking in such a way as to ensure, so far as is reasonably practicable, that persons not in his employment who may be affected thereby are not thereby exposed to risks to their health or safety*", it is clear that the way ORR sets out its SBP expectations and the criteria used to make investment decisions are part of the way it conducts its undertaking. The decisions ORR make could affect the health and safety of those not in its employment, such as Network Rail's employees and the travelling public.
7. We were pleased to see the draft guidance section on stakeholder engagement, but would suggest that this should include employees in paragraph 33 (p.11). Employees, as well as being potentially affected by these business plans, may also have valuable contributions to make.

In conclusion, we believe that it is reasonably practicable for ORR to take a holistic view of the totality of Network Rail's proposals; to use overall reductions in network hazard and risk as part of the process; and to use system safety, alongside capability and efficiency, as criteria for judging the adequacy of SBPs. We would also like to see employees included in the list of stakeholders to be engaged, as we believe they have an important contribution to make.

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About IOSH

Founded in 1945, the Institution of Occupational Safety and Health (IOSH) is the largest body for health and safety professionals in the world, with around 46,000 members in over 120 countries, including over 13,000 Chartered Safety and Health Practitioners. Incorporated by Royal Charter, IOSH is a registered charity, and an ILO international NGO. The IOSH vision is:

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Merseytravel

Emily Bulman
Office of Rail and Road
1 Kemble Street
London WC28 4AN

Dear Emily

PR18 Consultation: Draft Guidance on Network Rail's Strategic Business Plans

Merseytravel welcomes the draft guidance regarding the development and delivery of Network Rail's strategic business plans.

There are a number of issues which we would like to address.

It is appreciated that the 'routes' will develop their own strategic plans and that these will be pulled together in an overall Freight and National Passenger Operator Route Plan. It is important that there is consistency in the development of the strategic plans at the route level, to ensure that all areas of the country are able to reap the benefits of the new approach.

There is the potential for proposed improvements to cut across two routes. It will be interesting to see how the issue is approached and dealt with. Is the intention for one specific route to take overall lead on a specific improvement, or would the improvement be taken forward as a collaboration between the two routes?

Merseytravel is particularly concerned about how third party projects will be incorporated into Network Rail's strategic business plans. Merseytravel has identified a number of key projects within the Liverpool City Region. Some of the projects, such as Liverpool Central Capacity Improvement, have already been developed with Network Rail while others, such as the Wapping Tunnel initiative, have yet to be taken forward with Network Rail. We are interested in how the development of the strategic business plans will take these, and other projects identified on the Liverpool City Region Long Term Rail Strategy, into account.

We are encouraged that stakeholder engagement has been identified as a key element in the development of the business plans and we look forward to working closely with Network Rail in the new business environment in the future.

Yours sincerely

Frank Rogers
Interim Chief Executive

Response to ORR's Draft guidance on Network Rail's strategic business plans

Network Rail is pleased to respond to ORR's consultation 'draft guidance on Network Rail's strategic business plans'. Network Rail's response is not considered to be confidential and we are content for the response to be published in full.

ORR's consultation sets out the draft guidelines for which Network Rail will structure the final strategic business plan submission. The draft guidance sets out an approach to the document suite and advised content for the strategic business plan documents. It is recognised that this is the guidance, which formally sets out an approach to the final business plan submission to ORR.

PR18 coincides with a significant period of change in the industry, which will also be reflected in a new approach to submitting the Strategic Business Plans to ORR. With a move to route regulation and increased responsibility devolved to routes, the draft guidance offers a framework to help support not only route devolution but also the separate plans for the national system operator and Freight and National passenger function. The guidance sets out the approach and expected outcomes for inclusion in Network Rail's strategic plans, which will support the rail industry in meeting the requirements to delivering benefits for passengers and freight users, whilst recognising that these are new changes and new challenges will be faced whilst trying to embed them. Network Rail supports the move to promote an industry which delivers further benefits to customers but it should be noted that some of these aspirations will take time embedding and therefore any associated guidance may need to be sufficiently flexible to allow changes to be embedded sustainably for CP6 and beyond.

Over the forthcoming months it will be important for us to continue to liaise with the ORR to help shape the guidance in order to deliver the SBP documentation in a timely manner. Network Rail notes that ORR expects to conclude on its consultation in January 2017. Prior to ORR's conclusions, Network Rail would welcome further discussion with ORR on the points made in this response, to ensure the final guidance meets the needs of ORR and also Network Rail.

Response to ORR's Draft guidance on Network Rail's strategic business plans

Introduction

The ORR's 2018 periodic review (PR18) will determine Network Rail's outputs and funding in Control Period 6 (CP6) that will run from 1st April 2019 to 31st March 2024. As part of PR18, Network Rail will need to produce a strategic business plan (SBP) for CP6. The SBP will be the main source of evidence that the ORR will use to determine funding and outputs for CP6. The draft guidance sought to understand how stakeholders thought Network Rail should prepare the SBP, including how engagement should be undertaken.

The SBP will consist of a suite of documents. ORR is increasing its regulatory focus on routes, building on changes that are currently being made to devolve more responsibility to them. Network Rail will produce strategic plans for each route, the freight and national passenger operator (FNPO) route and for network system operator. These plans will support improved timetabling, better use of the existing network and analysis of how the network should be enhanced over time. The consolidated SBP will consist of one for England & Wales; another for Scotland, as well as company-wide information.

This response reflects the structure of ORR's draft guidance on Network Rail's Strategic Business Plans. Over the forthcoming months it will be important for us to continue to liaise with ORR to shape the final SBP guidance in order to deliver the SBP documentation in a timely manner.

The structure of the submission

Network Rail plan to produce a separate strategic plan for each route, a plan for the freight and national passenger operator (FNPO) route, and for the network system operator (NSO). In addition, Network Rail will produce three published summary documents, one for England & Wales, one for Scotland, and a company overview of Great Britain as a whole, written for a non-technical audience, referred to as Tier 0 in the guidance.

In order to ensure there is appropriate regulation and comparison between the routes it is necessary to have a level of consistency between them; however it is important that the overall structure of the SBP is flexible enough to enable routes to highlight the nuances and intricacies within their local environment. This balance will enable routes to illustrate what is planned to be delivered, the associated justification and the basis for the spending choices made.

The ORR outlines that a ten year planning horizon would be expected to be included in plans and that the SBPs include clear and realistic assumptions for the remainder of CP5. Network Rail's detailed planning horizon is eight years, produced through the internal continuous planning process supported by longer term models that provide 30 year forecasts (which are used to provide long run renewals projections to inform variable charges and amortisation). Route Strategic Plans will therefore be based on forecasts that cover the final two years of CP5, the five years of CP6 and the first year of CP7. It is also important to note that longer term forecasts will be subject to considerable change with the introduction of new technology, particularly the Digital Railway.

The ORR "expect expenditure projections for each of the central functions to be clearly set out and that the methodology for recharging to routes uses cost-reflective metrics". Network Rail will set out the methodology for charging central function costs to routes. Network Rail is reviewing the current methodologies and note that there will still be some costs that are allocated to routes rather than directly charged.

Response to ORR's Draft guidance on Network Rail's strategic business plans

The NSO will need to continue to review and adapt to business and industry changes across the next control period. It is therefore important to recognise the need for flexibility in the regulatory arrangements for the NSO, so that this emerging function can adapt to meet any uncertainties in the requirements and stakeholders it will need to service in CP6. Through the System Operator *Fit For the Future* programme and the development of the SBP, Network Rail is working with customers to identify the areas that are most important to them for CP6 and how measurement of delivery in this area can best be achieved. Network Rail looks forward to continuing its engagement with ORR throughout this process to develop the scorecard that will be used to measure the NSO delivery, aspect of which can be used by ORR in order for it to discharge its regulatory duties.

Stakeholder engagement

Stakeholder engagement is essential to ensure that the SBP is deliverable, realistic and where possible meets the aims and aspirations of stakeholders. It is important that the guidance refers to a balancing of needs of all stakeholders, including funders and Network Rail's requirement for long term stewardship of the rail infrastructure. As part of Network Rail's proactive engagement strategy to support the SBP submission and in order to build a mutual understanding of priorities and challenges with stakeholders, the routes will be holding workshops in February with the ORR in attendance. Routes will continue to engage with operators and other local stakeholders beyond the February workshops. In addition, it is important that there are realistic expectations regarding engagement due to the limited time available, particularly as a number of operators have suggested that they will struggle to engage with this process.

How Network Rail aligns its priorities in the SBP with those commitments within the franchise process needs further consideration. Network Rail will aim to highlight where it will not be possible to support franchise commitments and then discuss the potential implications of these.

Route objectives, scorecards and metrics

The Route Strategic Plan (RSP) template is structured so that the route objective section will use the route scorecard as its basis to include the priorities of stakeholders. ORR suggests that route scorecards are focused over a single year, whereas the RSPs will cover the entire CP6 period. As a result, the RSPs will provide trajectories for all measures in the scorecard. This should become clearer when the CP6 scorecard guidance is issued and therefore it is expected that the final SBP guidance would make reference to the CP6 scorecard guidance.

It is important that the ORR continues to work with Network Rail to define the appropriate measures and metrics that will be required for Network Rail to measure and report against. This will be used to define what measures should be used to undertake comparison of Routes and what should be used to normalise metrics for comparison purposes to provide consistency. Network Rail welcomes further engagement with the ORR to further define and agree how this process of comparison will work.

Activities, expenditure, and net revenue requirement

ORR has stated that Network Rail must update its plans at least annually. This approach is supported; however the detail and process by which this will work, needs to be agreed through the monitoring and reporting approach for CP6.

Response to ORR's Draft guidance on Network Rail's strategic business plans

SBP assurance and submission

Network Rail will continue to liaise with the ORR on the remit for the approach to assurance for the SBP. ORR has requested that Network Rail prepares its SBP submissions in accordance with the current regulatory accounting guidelines (RAGs); however at the present time the current guidelines do not cover the treatment of SO and FNPO costs. Therefore this will be developed on the basis of our proposed approach.

Assessment and grading of the plans

Within the final guidance, it will be useful to understand how the ORR will assess the alignment between route objectives that reflect stakeholder priorities and other objectives. How this will be carried out and assessed is currently still being decided.

Key points for clarification

There are a number of minor points that further clarity from the ORR is sought in its final guidance.

Within the Stakeholder Engagement section, it is suggested that the first bullet to is expanded to read "a meeting with stakeholders to discuss priorities and challenges, and the emerging plans in light of these priorities and challenges, scheduled for February 2017...". It is important that this will be a two way discussion, rather than Network Rail putting its plan on the table for agreement.

In advance of the publication of the SBP, it is essential that we continue to work with the ORR to ensure that outputs and performance comparisons (indicators) between routes are effective, realistic and meaningful. In order for cross-route comparisons to be made in an appropriate manner, the key performance matrices need to be defined, with pilots undertaken in the lead up to the publication of the SBP.



Rail Delivery Group

Response to

**ORR's PR18 consultation: draft guidance on
Network Rail's strategic business plans**

Date: 11 January 2017

Rail Delivery Group response

ORR's PR18 consultation: draft guidance on Network Rail's strategic business plans

Organisation: Rail Delivery Group

Address: 200 Aldersgate Street, London EC1A 4HD

Business representative organisation

Introduction: The Rail Delivery Group (RDG) was established in May 2011. It brings together Network Rail and passenger and freight train operating companies to lead and enable improvements in the railway. The purpose of the RDG is to enable Network Rail and passenger and freight train operating companies to succeed by delivering better services for their customers. Ultimately this benefits taxpayers and the economy. We aim to meet the needs of:

- Our Members, by enabling them to deliver better outcomes for customers and the country;
- Government and regulators, by developing strategy, informing policy and confronting difficult decisions on choices, and
- Rail and non-rail users, by improving customer experience and building public trust

For enquiries regarding this consultation response, please contact:

Bill Davidson

Rail Delivery Group

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Introduction

1. This document outlines the key points from industry in response to the ORR's consultation on draft guidance on Network Rail's strategic business plans (SBPs). We consider this to be a very important consultation and support the overall aim of the guidance to facilitate Route ownership of the SBP. This is critical for greater involvement of train operators and end users in order to increase the efficiency of the railway and enable wider stakeholder collaboration and input to developing the network.
2. There has been, and will continue to be, extensive industry engagement and discussion with the ORR through the industry working groups that the RDG has set up for the 2018 Periodic Review (PR18). We envisage that these working groups will continue to operate throughout the rest of the PR18 process as we believe they provide useful forums to work through the detailed issues. We welcome the constructive tone and purpose of the ORR PR18 consultation documents and working papers which are intended to facilitate a more dynamic process of industry engagement to support an iterative approach to developing policy.
3. We confirm that we are content for this response to be published on the ORR website.

Engagement with Network Rail Routes

4. As noted in our responses to earlier PR18 consultation documents, the RDG supports route devolution with local ownership of plans and better engagement between Network Rail Routes and operators, and better engagement with passengers and freight users. A key part of this, and one which we strongly support, is the high level aim of getting stakeholder engagement in the preparation of Route SBPs (both for the geographic Routes and the freight and national passenger operator Route), and the SBP for the National System Operator, as this helps align the industry behind a shared plan.
5. Paragraph 38 of the guidelines refer to a stakeholder meeting with each Network Rail Route in February 2017 but there is no other comment about further engagement throughout the rest of the year up to publication of each Route SBP in December, and then into CP6. The Routes are intending to set out their plans for engagement up to the SBP at the February workshops, and so this should provide more clarity on when operators and other stakeholders have their input to the various stages of the plan as it is developed. The process also needs to show how Network Rail has reflected (or otherwise) the stakeholder input received including showing how it has dealt with conflicting requirements or expectations. As well as providing stakeholders with the information they need to be able to make informed input to the process of developing the Route SBPs (as per the ORR draft Guidance), the Routes should also provide guidance on what they require from stakeholders.
6. It would be clearer if the workshops mentioned in paragraph 38 (first bullet) referred to these workshops as "meetings scheduled for February 2017 with stakeholders to build a mutual understanding of priorities and challenges, and to discuss emerging Route plans in light of these."
7. For the engagement and input from stakeholders to the Route SBPs to be fully effective, it is necessary to understand what decisions and activities are fully devolved to the Routes, or planned to be by the start of CP6. Whilst some of the content discussed with stakeholders will be common across all Routes, it is worth noting that there will be bespoke issues that should be covered and hence the autonomy and ability of the Route to reflect these in its plans is important.
8. Paragraph 29 suggests that operators can inform Network Rail's plans and expenditure projections on infrastructure using their railway expertise and understanding of operations, access and costs. It goes on to say that this could include ways in which operators and Network Rail could collaborate to reduce industry-wide costs or to identify ways to save costs through better use of under-used infrastructure. The industry believes that stakeholders' ability to inform Network Rail's plans and expenditure is limited to the extent of the information that stakeholders have at their disposal and by the competence on infrastructure matters that stakeholders can deploy. In addition, the areas where Network Rail and stakeholders can collaborate to reduce industry costs are often of relatively

minor scale compared to the total Network Rail cost-base. The areas where collaboration is most likely to deliver benefits will be those where both sides have expertise for example in managing the Access that Network Rail require to deliver maintenance, renewal and enhancement programmes. On top of that, stakeholders can bring insight to assist Network Rail in optimising renewal and enhancement schemes but only if they are engaged early enough in Network Rail's processes and play a part in specifying scheme outputs.

9. Paragraph 35, and other places, refers to the Route having to develop route objectives that balance the needs of stakeholders and be consistent with the priorities of end users. Inevitably this will require a balance between competing outcomes; for example, passengers may want lower fares but this might not be affordable and hence not meet the needs of government funders. Similarly, operators may have franchise outputs that the Route is unable to commit to or does not have the funding to deliver. Another example could be for a long-distance operator who might suggest to Network Rail that possessions should be done on Saturday night/Sunday morning to ensure that the route is open on Sunday afternoon (the busiest time of the week for them). Clearly a suburban operator might have an opposing priority to run a late night service. Further clarity and discussion is needed on what will happen in these situations and how a mismatch will be resolved (or not) with explanations incorporated into the Route SBPs. It might be better if the wording in the ORR guidelines referred to balancing the needs of all stakeholders, including funders and the requirement for long term stewardship of the infrastructure.
10. In due course, it would be helpful if Network Rail sets out its proposed process for the ongoing monitoring of the delivery of the Route SBPs and how stakeholders would be involved. This would follow on from the useful initial discussion that Network Rail is leading on Route governance arrangements, such as the proposed Route Supervisory Boards, and how they link with other multi-lateral meetings such as the Project Review Groups and Route Investment Review Groups.

Central functions

11. Paragraph 16 refers to separate information about Network Rail's plans for central functions. It lists examples of those central functions but the Technical Authority is not specifically mentioned; it should be as it has a significant impact on operators. It is not clear how these central functions will be held to account and so more clarity on this is needed.
12. In our response to ORR's initial PR18 consultation document we commented that it was important for early agreement to be reached on the funding arrangements and deliverability of the Digital Railway (DR). Given this, we would welcome clarity on the required scope of DR activity to be included in the SBP.
13. Paragraph 18 comments that there should be meaningful engagement between central functions and Routes. We think there should also be some direct operator engagement for central telecoms activities and also for the work to develop a DR. Similarly, in Table 1 we would expect stakeholder input to the plans for those functions involved with central telecom activities and the DR.
14. To improve clarity, we suggest a reference to the National System Operator (NSO) is added to paragraph 46 as follows ".....we would expect Routes, and the National System Operator, to consider....". In Table 1 we suggest that details of enhancement schemes are included in the NSO plan.
15. The guidelines could clarify that in most cases a Route should be accountable to customers and stakeholders for enhancements. Clarity is also needed on who is responsible for sponsorship of enhancements and how freight-focussed schemes are delivered by a Route.

Scorecards

16. Clarity is needed on the link between outputs included in Route scorecards, the regulated outputs for Network Rail and other objectives (paragraphs 42 to 52). More importantly, the ORR guidance

seems rather muddled in this area. We seem to have Objectives, Outputs and Scorecards all in play and all supposedly reflecting the distillation of stakeholder requirements. It is also not clear how these measures are to be expressed – are they to be measured and monitored specific to each stakeholder or aggregated across the Route? In addition, it is highly unclear which of these are to be regulated by the ORR.

17. There will be different sections for the CP6 Route scorecards, including:

- i. a section relevant to Network Rail only that has metrics that are internal to Network Rail whether at a Route level and/or being national objectives, and
- ii. a section containing metrics relevant to a customer, where there would be an expectation of engagement and agreement between the Route and operator.

This two-level approach is reasonable but should be made clear in the guidance. It may also be appropriate to consider a further level - the extra level being stakeholder measures that are Route specific but which are aggregated across the Route for all Operators.

Other comments on the draft guidelines

18. Paragraph 59 (first bullet) refers to “.....finding more effective ways to achieve commitments...”. We suggest that this is changed to “effective and efficient” as value for money should also be a consideration when implementing H&S strategies.
19. Paragraph 60 (bullet 7) refers to the department of Network Rail called Infrastructure Projects (IP). The accountability for delivery lies with the Route, with IP being a possible means of delivery, and so it might be clearer if reference to IP is deleted.
20. Paragraph 66 relates to exploring new funding sources. We suggest that the Route should keep operators informed to avoid duplication and the possibility of chasing the same funding source.
21. Paragraph 95 considers the potential result from the ORR grading the quality of Route SBPs. This will not be straightforward as the real test of a good plan only becomes truly evident over time as it is being delivered.

Office of Rail and Road PR18 Consultation
Draft Guidance on Network Rail's Strategic Business Plans

Response from Rail Freight Group

December 2016

1. Rail Freight Group (RFG) is pleased to respond to the ORR's consultation on draft guidance on Network Rail's Strategic Business Plans (SBPs). No part of this response is confidential.
2. RFG is the representative body for rail freight in the UK. We have around 120 corporate members who are active across the rail freight sector, including train operators, end customers, ports, terminal operators and developers, rolling stock companies and support services. Our aim is to increase the volume of goods moved by rail.

General Comments

3. Overall, and subject to comments below, we consider the draft guidance to be broadly reasonable. We also support the principle of scorecards, and their use.
4. However, we recognise that the SBPs and scorecards are only part of the overall governance of route based devolution/regulation. Other elements such as Route Supervisory Boards remain in development and are not part of this consultation. We note the separate consultation on regulating the National System Operator (NSO).
5. As such, we are concerned that the overall governance and regulation of route based devolution cannot yet be shown to deliver for freight outputs. There appear to be some gaps, which would mean that geographic routes were not sufficiently incentivised or regulated to work with freight and to appropriately prioritise freight outputs. A holistic assessment is needed prior to the SBP Guidance being confirmed.
6. We support the development of the Freight and National Passenger Operator route (FNPO), and agree that this should be the central responsible route for freight. This should include the lead relationship with operators, and other contractual parties (such as connection agreements, freight customer track access holders, and those who lease sites from Network Rail). The FNPO should also lead on establishing customer requirements, supporting new business, sponsoring enhancements for freight and advocacy and support for freight internally and externally.
7. What is less clear however is how FNPO will be represented on the geographic routes, and critically, how freight outputs will be leveraged via the SBPs, Scorecards, regulated outputs and governance. It is clear from the early coverage (for example) of Route Supervisory Boards, that Network Rail's

expectation is that the geographic routes will not generally be expected to include freight. What is unclear is whether they will include FNPO, how FNPO will have sufficient authority over delivery, and what the 'rules' are around commitments in the FNPO SBP which require a geographic route to deliver.

8. An example would be a new customer connection, which is likely to be developed in conjunction with FNPO, and funded by the customer. As FNPO is not an asset owning route, how will it ensure that delivery of that new connection is prioritised by the geographic route? This is already complex, but with more authority now passing to the principle passenger operators, it is even more imperative that there is a formal agreement on how this will happen.
9. In summary therefore, we are uncomfortable in reaching any conclusion on SBP guidance without a better understanding of;
 - a. The formal interface between FNPO and geographic routes with respect to delivery of freight outputs, and alignment of respective SBPs;
 - b. A clear position on how freight will be represented in geographic route boards at a level of sufficient authority to facilitate the delivery of freight outputs;
 - c. The interface and authority between FNPO, geographic routes and NSO with respect to freight outputs.
10. We have similar concerns over the measures on respective scorecards, which appear to encourage the geographic routes to only focus on freight performance, not any other metrics which would lead to improvements for customers.

Specific Comments

11. Page 7. As above, we broadly support the requirements for the FNPO SBP. In para 11, it references the need to cross refer to other SBPs, which is reasonable. However there is no mention elsewhere of how other SBPs will cross reference FNPO and this should be equivalently required.
12. Top of page 8 should read FNPO not NSO.
13. Para 13. Freight operators will be keen to have input into the NSO plans, as its functions are critical. This should be in conjunction and co-operation with FNPO.
14. Para 21. As above, the overall governance framework still feels undefined, and we remain concerned that FNPO may not have sufficient leverage over the delivery of outputs by the geographic routes.
15. Para 27 onwards. We support the principle of appropriate stakeholder engagement. It remains unclear how freight stakeholders will be engaged (by FNPO only, or more generally for all routes), and how this links to stakeholder

boards.

16. Para 33. It may not always be the larger customers, but those with specific projects or aspirations in a particular period. Also the text should reference those with a specific commercial relationship, for example, a connection agreement, freight customer access contract, or where Network Rail owns the land site which they occupy.
17. We note and broadly support the concepts around scorecards and route objectives. Whilst it is clearly imperative that Network Rail is clear about what is funded, and why, there is perhaps an over focus in this section on funded commitments, as they relate to physical works. In many cases, freight customers are looking for outputs which may require 'effort' rather than investment, such as service plan reviews, timely elimination of speed restrictions within the maintenance programme, advocacy for new services and such like. These areas should be captured.
18. We are aware that some such measures are proposed on the FNPO scorecard. As above, ensuring delivery via other routes must be assured in the framework.
19. Para 55 We agree that Network Rail must be incentivised to ensure greater efficiencies through skills, technology and innovation, rather than through reducing outputs. This is critical to the long term sustainability for all operators. For FNPO, working with operators and other stakeholder to promote this, and to develop the freight 'product' remains important.
20. Network Rail must also be encouraged to deliver efficiency improvements for users, as well as in infrastructure management – for example in average velocity on the network.
21. Para 56 onwards. We agree with these proposals. The guidance should state asset sustainability and maintenance be delivered for all users on an equal priority, not just the principle passenger operators on a route.
22. Para 65. There should be a better definition of third party funding, and how it relates to outputs. For example, if a new connected terminal enables longer trains to operate, reducing the overall number of services required, does this 'qualify'?
23. Page 20 and onwards. We note the need to keep updated information and to assure quality. However, this should not take precedent over focussed delivery of outputs.



National Union of Rail Maritime and Transport Workers



Emily Bulman
Office of Road and Rail

09 January 2017

Dear Emily

I am writing in response to the PR18 *consultation Draft Guidance on Network Rail's strategic business plans*.

Once again, I would like to reiterate the RMT's view that enhancements, maintenance and renewals should continue to be guided by a single body, and that the workforce for each type of infrastructure work be returned in house. Network Rail currently directly employs 34,000 people covering a track of 16000 kilometres in length with the majority of the rail infrastructure workforce employed by private contractors on a myriad of contracts, employment statuses, multiple employers etc... An essential role for Network Rail to maintain an economy of scale is therefore to define and coordinate the human resources policy for the rail industry. In this respect, at a minimum, a common human resources policy and a single set of procedures should be determined at system operator level.

With this in mind, RMT believe it is essential that the ORR issue concrete practical guidance as to what may be, theoretically, "comparable" between routes in order to ensure that such comparisons do not encourage or result in greater inefficiencies across Network Rail by undermining the economies of scale, and further complicating employment practices, and subsequently working practices in a safety critical industry. This could also potentially create very serious industrial relations issues.

Furthermore, private capital is unsuitable for the rail industry, and at this stage is an expensive distraction from the need for all rail infrastructure works to be consolidated within Network Rail. RMT is deeply concerned about the ORR's advocacy of the introduction of private capital into the industry, and is further concerned that each route is being encouraged to develop its own "strategy for commercial focus (3rd party funding)". The most basic analysis of such an approach to private capital would be that Network Rail again loses its ability to negotiate as a single entity, and so again economies of scale will not be achieved.

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General Secretary: Mick Cash

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RMT is opposed to the allocation of Network Rail's central reserves to routes, and believes that such a move will add a permanency to the devolution model which is as yet untested.

We note that despite the ORR conclusions on the initial consultation stating: "We welcome RMT's intention to be engaged throughout the process and note that it has signed up to our mailing list and so will receive details of our consultations, along with other industry stakeholders", trade unions are not mentioned in the Stakeholder Engagement section of the Draft Guidance consultation and are not considered stakeholders in the 'who the stakeholders are' list. It is becoming increasingly clear that the ORR does not value the views of the workforce in this process. Ironically, RMT did not receive the ORR conclusions to the initial consultation despite the ORR welcoming our commitment to being involved and being "on the mailing list" in those conclusions. This is certainly not the "proactive, appropriate and effective stakeholder engagement" the ORR advocates in this draft guidance.

RMT request access (for named representatives) to the 'data room' once it has been established by Network Rail. We have written to Network Rail to this effect and to request early contact regarding each strategic business plan.

Of greatest concern in the consultation is para 92 which states: "Our assessment will be an important element that determines how we focus our resources in scrutinising the SBP submissions and any gaps or areas where we require further evidence in order to better assess the plan. We will recognise submissions that are high quality by subjecting them to proportionately less scrutiny." It is clear from this paragraph that the ORR lacks the resources to oversee this process effectively and to scrutinise the greatly increased number of submissions and brings the viability of the entire process into question.

Finally, we welcome, with caution, the move towards longer term planning through the use of forecasts of expenditure, outputs and other key parameters beyond CP6 for a period of at least 10 years, and wish to repeat our view that a five yearly funding cycle is inadequate and should be extended. We hope that these forecasts will demonstrate the value of longer term planning and the huge potential of longer term funding cycles.

RMT remains committed to our full engagement in the process and hope this commitment is reciprocated.

Yours sincerely



Mick Cash
General Secretary

ORR Consultation Response – Development of Network Rail Strategic Business Plan for CP6

Rail North – Jan 2017

ORR Responsible Officer; Emily Bulman

Introduction

This paper is the seventh recent instalment from the ORR regarding the future of the next periodic review, PR18, effective from April 2019 – March 2024 (also known as CP6). As Rail North, we have prepared previous responses to the initial consultation in August 2016 and subsequent papers too.

This outline and response has been prepared to cover the guidance issued on the future development of the Strategic Business Plans (SBPs) in October 2018 as part of the overall funding submission for CP6.

Overview

This paper is looking at the format of the SBPs for the next control period, and while these are ordinarily a detailed proposition at route level regarding the future workbank, they are also supported by a suite of other core reference documents too. There are 7 areas within the SBP for specific consideration, and the response has been prepared to outline a number of points across most of these areas from a Rail North / TfN perspective.

While the route SBPs are the key focus, there are a number of other plans that will be of interest to Rail North & TfN, namely the Enhancements sections within the LNE & LNW SBPs, the proposals and assumptions within the Freight (National) plans, National System Operator (see above consultation) assumptions, and the 10 year look ahead for both Digital Railway development and deployment, and Infrastructure Projects. With Rail North co-managing the Northern & TPE franchise agreements with the DfT, we will be particularly keen to ensure that committed obligations within the franchises, and works required to integrate the new rolling stock cascade and purchases are explicit within the plans too.

In a positive development, there has been an MoU signed between DfT and Network Rail regarding Enhancements to further clarify roles between the DfT and Network Rail as Client, and Deliverer, and this should provide additional governance, balances and checks for the delivery of schemes both in CP6, and the larger, complex enhancement schemes over multi control period timescales. There will also be a Northern Portfolio Director being appointed imminently, with an improved portfolio level governance set up that will improve communication, and clarity regarding future deliverables too.

Response

The key considerations asked of this consultation response relate to what and how the Strategic Business Plans (SBPs) are developed, the planning and reporting of progress, the level of engagement, and in ensuring that the needs of passengers and freight customers are best addressed.

Against an evolving wider industry review, this paper is of particular importance as Rail North / Transport for North is working closely with the DfT to become a sub national transport body, and thereby a co-decision making role in determining the High Level Output Statement (HLOS) and Statement of Funds available (SoFA). Assuming this application will be successful, there are slightly

different challenges, and opportunities that this paper presents, and the Rail North / TfN response has been prepared accordingly.

Structure of the submissions

The structure of the submissions is relatively straight forward, and transparent. Not all of the sections are likely to be of interest to Rail North / TfN, with table 1 proving very useful. Of note are the sections on forecasts of key relevant metrics, and how these align to the committed obligations within the franchise agreements, not least performance targets and the JPIP process, the details on enhancement schemes, and future strategies too.

Where the CP6 / PR18 submission should contain forecasts of expenditure (and schemes) beyond CP6 – for at least 10 years, we would be very keen to see the detail whereby Network Rail is to ‘include clear and realistic assumptions for the remainder of CP5’. Within the OLNW & LNE business plans, we would also expect to see clarity on stakeholder priorities, the customer focus & capacity strategy, the delivery strategy, and in terms of interface and the future potential use of a ring fenced fund within the CP6 submission, the strategy for commercial focus (3rd party funding).

In summary, the SBPs should detail how the business unit / NR is planning to – plan to deliver the right things, shows that NR is well placed to deliver them, and accurate revenue requirements, calculated accurately, all of these being critical success factors for Rail North and TfN to be assured on as the programmes of works develop.

Governance

The ownership of strategic business plans at route level is a fundamental principle of devolution. The development of the IIA between Network Rail, Rail North and TfN is going well, and underlines the importance of collaborative working across the industry, not least to align and rectify existing issues such as committed obligations into workbanks, and bringing about clarity of future growth forecasts and outputs. It is our vision that Rail North / TfN would have a clear role to play in the SBP development for the workbanks, enhancements, future control period pipelines, route studies, and both IP outputs, and the deployment of Digital Railway.

We would support the use of clear impact assessments, and change to control to mitigate and manage changes and issues as they emerge, and the appointment of a Northern Portfolio Director should ensure this can be more readily achieved. In terms of comparison between routes, we would also be interested in route measures being utilised, but more keenly, on how progress is being made between the LNE & LNW routes.

Stakeholder engagement

Rail North / Transport for North is developing an Integrated Rail Report, and this is due for completion at the end of the year. Rail North, working with its member Authorities are also developing a number of schemes and proposals for CP6 with a view to influencing the funding, allocation and development of works in CP6 onwards.

The ability to harness local knowledge of the concerns, bottle necks, future developments (commercial & residential) across the combined authorities is paramount. We are well placed then to align these with sub-national economic analysis (Northern Powerhouse Independent Economic Review) and for example, committed obligations within the franchise agreements, to other opportunities and schemes represents a real opportunity for both the North, and the industry as a whole.

A first step in this emerging relationship has been a commitment with NR to co-author the Northern Route Study. The role and functions Rail North / TfN's proposal seeks to establish, will we believe engender stronger, collaborative working relationships with Network Rail and enable shared development of economic analysis, modelling, etc to ensure the enhancement priorities for the North's network are better aligned with sub-national needs, and a stronger case for investment is presented to government.

Route objectives, scorecards & metrics

The use of scorecards and metrics in the route based SBPs within the existing regime do not necessarily reflect the relationship between Rail North / TfN and Network Rail, and the ongoing monitoring and managing of this is best served still by ORR. There are specific sections that are of more interest though, namely the route strategic plans and objectives, how these align with HLOS (assuming Rail North / TfN will be setting this for CP6 for the North).

The appointment of a Northern Portfolio director, and associated governance should also aid this interface and reporting. Additionally, monitoring would be undertaken with Programme Delivery Groups, and Programme Boards as is custom and practice on a number of enhancement schemes already in flight.

With the adoption of a stringent change control process, that makes consideration of the impact of any changes, on the wider industry - i.e. the ability of Network Rail to achieve their regulated milestones and / or TOCs to achieve their committed obligations within their franchise agreements, it is likely that emerging risks and issues can be more successfully mitigated.

The use of consistent metrics for route forecasts is an area of particular importance, and Rail North / TfN will work closely with Network Rail to behave as a 'smarter client'. By ensuring strategic transport needs of the north are founded on strong underpinning economic analysis and with the appropriate governance and working arrangements are formalised, we feel that together we can drive economic, efficient and effective progress of works throughout the feasibility – development – delivery phases.

Activities, net expenditure and revenue requirement

The SBPs contain forecasts of expenditure and income; and is mainly the domain of Network Rail and the cost available / required to maintain the assets and network. Where Rail North / TfN has a specific interest is in the role of third party funder, and potential 'client' for setting the future HLOS. A direct link to Rail North / TfN setting HLOS is critical here, as is any assumptions about the North of England Ring Fenced Funding, and Franchise Committed Obligations >> both of these being income and additional workbank items / projects potentially for NR to consider and factor in for delivery.

In line with the consultation response for National System Operator, Rail North will also be keen to understand how the NSO expenditure will be developed, monitored and managed. There are also a number of challenges for Rail North / TfN to work through with Network Rail regarding delivery of regulated outputs and milestones as a result of the Hendy Review, so a clear position being agreed regarding the remaining CP5 workbank, and assumptions for conclusion of existing workbanks for CP6 will be keenly anticipated too.

SBP assurance and submission

While assuming that elements of the SBPs will be undertaken in a collaborative manner with Network Rail, and Rail North / TfN regarding the wider aspirations and delivery of committed

obligations within the franchise, we would echo the consultation desire for these documents to be of a high quality, robust, and evidence based. Rail North and Transport for North have been instrumental in developing a better understanding of issues and opportunities across the North.

A mechanism for the development, and management of future enhancements, and smaller scale initiatives has been prepared. Additionally, the IIA submission as part of PR18 has been developed between Rail North and Network Rail.

TfN has submitted its proposal for a Sub-national Transport Body to the Secretary of State for Transport. The proposal recommends that:

‘.....TfN is established through regulations, to jointly exercise alongside central government departments, the directing of national delivery agencies; advising the Secretary of State throughout industry planning processes on the strategic transport priorities for the North of England. Such advice will be underpinned by TfN’s transport strategy and investment plan and economic analysis.’

The existing process, and introduction of ECAM has brought more rigour to the management of scope, cost and time for schemes, but there needs to be significant improvement. With the transfer of Network Rail debt back onto the public books, and a need to fund any variations within the available funding, there is a strong case for greater control to be in place as part of the SBP development. In order to make this process more robust, there is a reasonable case for the future change control of schemes to be made in an open and transparent way.

Assessment and grading of the plans

They will be interpreted (graded) and role of stakeholders in their being developed. With a move to increased route devolution and the need to encourage closer working between NR & TOCs, and increasing the role of combined authorities as local funders, this paper is looking to define how ORR might hold NR to account for delivery.

For the purposes of integration, and deliverability regarding the SBPs, it would make sound economic sense for all of the wider industry commitments to be considered as part of the development and publication in the wider Network Rail Delivery Plan.

There are a number of considerations to be looked at regarding why information should be aligned, and published across the suite of SBPs. To ensure a robust business planning process, we would expect the core considerations regarding the status of schemes could reasonably include; Access to undertake works (possessions), deliverability (in terms of supply chain, status of contract awards and complexity), and cost (forecast / baseline).

Where the forecasting of deliverability is to be undertaken, again, this could be done as part of the mandatory steps when the scheme is being proposed from an operational (access) perspective, but also in terms of the supply chain and selection of a competent contractor (whether this is Network Rail and Infrastructure Projects or an external outfit).

At the point of approval for a scheme, Rail North / TfN could mandate that such an assessment is undertaken regarding the impact on Network Rail’s regulated outputs, and financial risk is completed. This (in effect) would also then form a set of ‘requirements or programme assumptions’ that the scheme would need to have supported by all parties, and monitored and managed accordingly, with strict adherence to a change control process and use of impact assessments.

As outlined in table 2, and elsewhere within this consultation response, Rail North / TfN will expect the aspirations and objective outputs to be clear, and aligned, with clarity regarding the proposed interventions, and clear strategies and policies to manage the funding available, effectively and efficiently.

ORR's periodic review 2018 (PR18) of
Network Rail - Initial consultation

RSSB's response on the phase of the
consultation that is considering the draft
guidance on Network Rail's strategic
business plans

January 2017

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Introduction

- 1.1 RSSB is a not-for-profit, expert industry body with membership from GB rail infrastructure managers, passenger and freight train operators, rolling stock owners, infrastructure contractors, and suppliers. RSSB is independent of any single interest and works on behalf of all of its cross industry membership.
- 1.2 RSSB is an expert body that provides a system perspective across technical functions that cross rail interfaces including health and safety, standards, research and sustainability.
- 1.3 RSSB's mission is to support its members and stakeholders to deliver a safer, more efficient and sustainable rail system. We achieve this by producing independent, evidence-based research, analysis, risk modelling and insight.
- 1.4 Drawing on this experience this document provides RSSB's response to the ORR consultation on the draft guidance on Network Rail's strategic business plans.

Draft guidance on Network Rail's strategic business plans

Key points:

- ORR should include specific requirements in the guidance to Network Rail that ensure route, National System Operator and central functions (including Digital Railway, Infrastructure Projects, Telecoms) SBPs take account of and demonstrate support for the implementation of key industry strategies. This aligns directly with the intent for NR to set out its plans for operating, maintaining and renewing the network and supports NR improving its capability and efficiency.
- ORR should, through the planning process, support a substantive investment in technology development and deployment that will realise a step change in future industry cost. The industry, through the Technical Leadership Group (TLG) is setting out a single industry plan – the RTS Capability Delivery Plan RTS:CDP – for delivering new capabilities for the railway through a significant technology development programme that will achieve the 4C targets of doubling capacity, halving cost, dramatically improving the customer experience and reducing the carbon impact of rail.
- Network Rail SBPs should include specific plans for how the outputs from the RTS:CDP are to be implemented and incorporated into Business As Usual activities. Failure to do so will seriously jeopardise rails ability to meet future demand and hence lose modal share.
- ORR should, through its guidance, encourage ambitious and innovative plans from plans from Network Rail that will deliver improvements and outcomes to customers in a value for money way. A whole system, whole life costing approach should be advocated that will improve the availability and reliability of the network in the short, medium and long term.
- In assessing the SBPs, ORR should take particular account of the extent to which they address key industry strategies.

Taking account of key industry strategies in Network Rail's SBPs

Network Rail has a key role to play in supporting and implementing industry strategies and sustainability principles. These include the industry health & safety strategy *Leading Health and Safety on Britain's Railway*, *Rail Sustainable Development Principles* (noting that an industry strategy for implementing these principles is to be developed in 2017) and the *Rail Technical Strategy 2012*. The ORR should therefore include a specific requirement for all SBPs to demonstrate the extent to which they are contributing to the implementation of these industry strategies and principles.

Structure of the SBPs

Paragraph 2 sets out ORR's expectations for what the SBPs should consist of and references inputs in the form of planning assumptions. These planning assumptions should take account of the programme of technology development being taken forward by the industry Technical Leadership Group (TLG) to deliver the Rail Technical Strategy 2012. These developments will provide the industry with new capabilities that will deliver costs savings, increased capacity, much improved customer experience and reduced environmental impacts. Network Rail should be making specific plans for how it will implement these new capabilities as part of its normal activity, so that they can rapidly become Business As Usual.

A balance should be struck between allowing the Network Rail routes and their plans sufficient flexibility and by ORR providing sufficient incentives to stimulate innovation and the uptake of new capabilities, and recognising that there will be a need for some major technology roll-outs to be co-ordinated across the whole industry and therefore across the whole of Network Rail. Allowance needs to be made within planning assumptions to reflect that there will be a need for consistent approaches across multiple routes in order to co-ordinate and deliver a coherent and connected whole industry approach and plan for certain technology deployments.

Stakeholder engagement

A focus on substantive stakeholder engagement is welcome. However, the definition of stakeholders appears narrow. The range of stakeholders should include both those with immediate/near term needs and requirements from Network Rail and the infrastructure it manages for the industry and equally those with a longer-term interest and requirement, such as devolved authorities.

Included within these engagements should be the cross-industry groups that have been established to oversee and drive the delivery of critical industry strategies, for example

the Technical Leadership Group (TLG), the System Safety Risk Group (SSRG) and the Sustainable Development Steering Group (SDSG) (paragraph 33 refers).

Scorecard and route objectives

The ORR sets out its expectations for what routes need to consider in their planning in paragraph 46. These expectations should include the extent to which they plan to support the delivery of industry strategies and take account of the longer term goals of the rail industry. For example, the RTS:CDP sets out the long term (end of CP10) capabilities that a sustained programme of technology development will deliver for the industry, including near term (end of CP6), interim states. The route SBPs should be demonstrating how they support the delivery of these near term, interim states that will deliver business benefits to Network rail and the industry and funders as a whole.

Overarching criteria

In paragraph 94, ORR sets out overarching criteria for the SBPs. Point 5 references “Realistic and innovative strategies, including strategies to improve capability”. Specific reference to industry strategies here will further ensure that Network Rail’s SBPs have taken these into account.

SEStran response to consultation on draft guidance on Network Rail's strategic business plans

In respect to some of the specific issues raised in your consultation paper, I would like to offer the following high level comments.

We welcome ORR's broad continued support for Network Rail's move to "continuous business planning". This would, for us, fit well with a wider landscape of varying timescales for national, regional and local strategies/plans across a number of subject areas.

We would welcome further clarification as to whether there will be one strategic plan for Scotland, in terms of a consolidated version that includes all routes, and support the proposal for at least a decade context for the determination, given this fits with the timescales for local development plans and shorter horizons for initiatives such as City Region Deals.

We also welcome the proposal in paragraph 20 for routes to share with their stakeholders a much wider range of material and would hope that would also be in a non-technical format to enable even greater engagement with communities.

In regards to wider stakeholder engagement for CP6 and the question of who are relevant stakeholders, we would welcome inclusion with the list in paragraph 33 of communities, councils, planning authorities and also regional authorities such as Regional Transport Partnerships in Scotland. Furthermore, in terms of efficiency and financial performance in paragraph 53, it would also be helpful to make mention of communities rather than taxpayers.

We would presume that in terms of scorecards and route objectives, that the format of presentation will enable comparison and longitudinal measurement and recognise the potential difficulty of devising objectives prior to the publication of HLOS and SoFA. In terms of appraising proposed improvements in a proportionate form to inform funding choices, will this be undertaken via some form of scenario planning, with a strategic and inter-connected appraisal, where not doing a certain project is recognised in terms of its impact on other related projects?

With reference to supporting comparison between routes, will there be some form of benchmarking process developed or formalised, via annual public reporting on scorecards and consolidated plans to enable a systematic analysis? Will the consistently defined metrics for route forecasts be measurable and tangible?

With regard to safe asset performance, it may be helpful for non-expert stakeholders to have further detail on how you could depart from the first outcome of "safe" without being clear on the definition of "safe" as it will be subjective for certain communities of interest.

Finally concerning the proposals for Network Rail's approach beyond the SBP and during CP6, is there an implied consultation on the update of the annual business plan when new information is available, will this be a wide ranging engagement opportunity or specific to the new information?

In terms of the grading of route SBPs, is there an opportunity through this process to publish good practice guidance?

George Eckton

SEStran

Partnership Director

Emily Bulman
Head of Transport
Office of Rail and Road
One Kemble Street
London WC2B 4AN

13 January 2017

Dear Emily,

PR18 Consultation – Draft Guidance on Network Rail's Strategic Business Plan.

Stagecoach Rail welcomes this opportunity to respond to ORR's consultation (the ConDoc) on the preparation of Network Rail's (NR) Strategic Business Plan, and which follows on from our recent meeting. We look forward to seeing the ORR take forward our responses and ideas. We view this opportunity as possibly the most important step in the process of defining NR's funding requirements for CP6 as it will ultimately determine what train operators receive in return for their track access charges. As an observation, we find it telling that ORR has felt it necessary to produce such guidance, particularly concerning how NR is to engage with its stakeholders, as some might view such engagement as a normal business activity for which description is not required and which all of our other supply chain partners undertake on a day to day basis.

We have structured our response to include some general observations and then some specific responses to paragraphs in the ConDoc.

General

Definitions: there are many terms in the ConDoc that are used which we believe require further definition, and indeed are being consulted upon elsewhere in the PR18 process. It is important that agreement is achieved to what these terms mean in practice, and in particular what the ORR and NR understand by these terms. There are many instances where operators, NR, DfT and ORR use a particular phrase but in fact mean different things. Gaining a common interpretation now will help to avoid misunderstandings towards the end of the process. We would highlight the following as examples:

- **Devolution** – this is a subject of ORR's consultation process for PR18 and there are different views on what it means for NR. On the one hand, it could mean little more than routes delivering centrally defined strategies to, on the other hand, setting up subsidiary route companies with separate accounts reporting to a NR Group. Unless and until the industry, and in particular ORR, DfT and NR, is clear on what devolution actually entails, the expectations of funders, users and passengers are unlikely to be met.
- **Stakeholders** – this term is used in several locations in the ConDoc but can mean different things. We would like to see some differentiation between (a) the involvement of true "stakeholders", being those groups and organisations that are impacted by NR but whom have no contractual relationship, and (b) others that do have contractual relationships such as TOCs and FOCs (access beneficiaries). We would expect the latter to have significantly more involvement in this process given

their ability to affect the outcomes delivered, and the efficiency with which they are delivered.

- **Route Level Regulation** – we are still unclear what this means, what will happen in practice and the means by which it will be enacted. Will ORR take enforcement action on a route level basis if access beneficiaries' reasonable requirements are not met? What will be the impact of such action, given that NR is a monopoly owned by Government?
 - **Scorecards** – ORR needs to be pro-active in the definition of scorecards, what they represent and how they will be used. Are they to be legally enforceable, contract deliverables or a working document for discussion between access beneficiaries, stakeholders and NR? Are they to be used as an incentive to NR management?
- Outputs** – "Scorecards" may (will?) contain some specific output measures but we are not aware of a "list" of what such outputs could include. We believe that ORR should be pro-active in developing and agreeing with industry such a list. We would expect there to be generic elements to the scorecard to allow cross-route and TOC comparison, and for these to be augmented with the ability to have locally developed elements bespoke to a route and TOC.

Holding NR to account: We are concerned about the manner in which ORR can, and will, regulate NR as a monopoly provider of railway infrastructure management services. In particular, using fines has little impact on NR as this is simply a money-go-round with DfT and Treasury. These fines have actually had little impact anyway as we saw when ORR breached NR for non-delivery of its CP4 targets, which NR was to invest in lineside Wi-Fi, and we are not sure what happened to the fine amount. At best, fines are actions after the event. We would rather ORR and others take pro-active action to rectify non-delivery. In addition, if action is taken with one specific route, how does NR intend to deal with possibly differing views from the central functions with NR? We would welcome further definition from ORR concerning the processes it will follow, at a route level, to ensure that access beneficiaries receive the services for which they have paid.

Insufficient emphasis on inputs: The ConDoc makes much mention of expenditure and revenue requirements but lacks detail on activities and asset management. If NR have moved towards 'continuous business planning' (page 2 of the ConDoc), then consulting and discussing planned activities in terms of levels of maintenance and renewals should be easily achieved without little preparation and should not be a new initiative as seems to be implied by this ConDoc. Assets have a useful life that is greater than a control period, so NR should maintain a long term view of maintenance and renewal which the SPB purely ratifies. Access beneficiaries whilst interested in how much money is to be spent on the infrastructure over which they run, are more interested in the amount of work to be undertaken and more particularly, its location. We would therefore like the SBPs to highlight what NR actually plan to do, rather than what they intend to spend.

Development of route SBPs: We would like to see a process by which Route specific business plans are developed independently and subsequently combined into the overall documents for England and Wales, and Scotland. However, it seems that the NR centrally has already asked routes for their proposals and have given guidance to the routes as to what spending limits might exist and routes have already responded. Therefore the further development of route SBPs appears to have already been constrained before routes have commenced consultation with any stakeholders. We believe that this process should be driven "bottom up" rather than what seems to have been a "top down" process. The ORR would appear to agree (paras 21, 87), where it is stated that the plans should be led by the routes.

We would welcome further guidance from ORR as to how they will take this into account in their determination.

Furthermore, as stated above, we would expect that detailed and ongoing discussion would be held between access beneficiaries and NR, rather than confined to a single session. We believe the development of route SBPs should be an iterative process. It should also be an ongoing process and not one that occurs every five year periodic review period. Again the infrastructure NR manages does not have only a five year life. Our business and other businesses we contract and engage with operate in a continuum of long term planning, our largest partner; NR should be no different.

Comparisons and benchmarking: ORR should specify the information it requires in order to undertake such comparisons. However, as noted above, we believe that such benchmarking information need not necessarily be part of a “scorecard”. Requirements, outputs and scorecards are likely to be different and are used for different purposes. We would like to avoid over-prescription of route scorecards or key measures so that individual operators have the freedom to suggest alternative measures and metrics for NR.

There appears to be no discussion how asset risk is to be managed network wide. If an asset failure occurs in one route, will NR be able to cross-finance from another, to the detriment of that route’s SBP?

Asset sustainability: We welcome the clear and unambiguous statement by ORR that NR’s plans should achieve safe asset performance and sustained condition and performance. We are clear that this is the main workstream for PR18 and would encourage ORR to devote its resources in this area.

Specifics

Para 1. As well as defining costs, we would expect to see descriptions of activities, particularly for the central functions. How will ORR regulate and enforce the performance of these central functions? With whom is the national passenger operator to interact? (See also paras 7 to 11). Will the NFPO have a separate set of accounts? How will the NFPO interact with other geographical routes? We look forward to the central functions accelerating towards much deeper devolution.

Para 2. How will access beneficiaries be involved in the preparation of business plans for all the central functions?

Para 3. We are pleased that ORR is requiring the underlying documents to be published by NR. We trust that ORR will be resourced sufficiently to review and challenge these inputs. It should be noted that access beneficiaries, whilst interested, do not have resources and are not funded to review these documents.

Para 4. This statement concerning the determination for CP6 being viewed in a longer term timescale is of vital importance, and speaks to the criticality of complying with long term asset management plans. It is vital that NR is funded to deliver its asset management plans, and so retain the safety and integrity of the network.

Para 5. As noted above, there is little mention of input activity i.e. levels and amounts of maintenance and renewals. We would expect to see business cases for investment in new and innovative ways of working and infrastructure interventions that will reduce costs over the long term, enabling funders to make decisions about the level of spend they wish to support.

Para 6. We believe that there should be a nationwide reconciliation of inputs and volumes as well as finances. Without this, ORR will be unable to comment on the overall deliverability of the work banks.

Paras 12 to 15. We would welcome further detail on how ORR sees the development of the engagement between individual access beneficiaries and NR concerning the system operator function. As noted above concerning definitions, there are many different and sometimes opposing views about the activities of the System Operator. It is therefore difficult to develop a set of NSO metrics against the range of differing views.

Paras 16 to 19. We would suggest that in their interaction with stakeholders, particularly access beneficiaries, NR should put forward and discuss proposals for the activities of the central function, as required by para 18. We would not want such a debate to be undertaken on a “take it or leave it” basis.

Para 20. How will ORR ensure that NR shares much wider range of material?

Para 27 to 41. Stagecoach operators have been requesting interaction with NR concerning the development of their plans for some time. We are particularly keen that our engagement with NR is timely and at stages that can help constructively with the development of route plans. We believe the tone of the ConDoc is a useful start in this process and we look forward to open, honest and robust dialogue with NR.

Para 45. The ORR helpfully suggests that there are likely to be choices regarding spending levels. We would welcome further clarification on how ORR would want to see those choices presented and how they might be evaluated.

Para 54. We note the ORR’s statement that renewals delivery has become less efficient during CP5. We are keen to help understand the reasons for this decline, and would welcome dialogue with NR’s supply chain partners in this process. We look forward to receiving further details as to how this might be progressed.

Para 61 to 64. We would highlight again that the emphasis of this document seems to be on expenditure and revenue, and not activities. We believe this is the wrong way round and not how a forward looking efficiency-led business should be run.

Para 66. We would highlight the work undertaken by RDG concerning third party funding and would like to understand how this is to be included.

Paras 88 to 93. We would like to understand how ORR will involve stakeholders in coming to their grading of the SBPs. We would also like to understand what the ORR intends to do with plans that are sub-standard.

We look forward to hearing further from ORR about these observations, and to taking part in the preparation of route SBPs.

Yours sincerely,



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13 January 2017

Dear Emily,

PR18 Consultation – Draft Guidance on Network Rail’s Strategic Business Plans

Thank you for the opportunity to respond to the recent PR18 consultation on the draft guidance on Network Rail’s Strategic Business Plans for CP6.

Stagecoach South Western Trains Limited (SSWT) is broadly supportive of the comments expressed in the RDG response to this Consultation. Our further view is that for route-specific Strategic Business Plan’s to be truly effective and for Network Rail to be accountable to its stakeholders, Network Rail’s Route Managing Directors’ must be devolved the responsibility for delivering both renewals and enhancements.

In line with and in addition to the views of other Stagecoach TOC’s, we also raise the following comments:

Governance

We welcome ORR’s decision to increase focus on regulating Network Rail’s route businesses and to compare data from the route strategic plans on a consistent basis. The governance that Route Regulation will bring needs to be consistently applied across all routes.

We support ORR making better use of comparisons between routes when assessing Network Rail’s plans and then holding Network Rail to account for delivery of outputs.

However, it would be useful to see further detail in the draft guidance of how ORR intend to hold Network Rail to account when they underperform.

Stakeholder Engagement

Stakeholder engagement will certainly help Network Rail understand priorities of train operators, passengers and freight operators; it will also provide stakeholders with opportunities to engage widely in the preparation of the strategic plans for the geographic routes.

As with the South Western Railway alliance, train operators can help and work with Network Rail to increase efficiency and reduce industry-wide costs. Train operators could develop the stakeholder plan for

engagement with Network Rail and make sure that Network Rail's approach with stakeholders is consistent across each route. However, stakeholders' ability to inform Network Rail's plans and expenditure projections is limited because train operators do not have much technical expertise in rail infrastructure and signalling systems. Most importantly, ORR must be mindful of the limited availability of TOC resources to manage the interface with Network Rail's and to assess their plans, and to challenge when it is necessary as currently TOCs are not generally funded through the franchise process to do this effectively.

Route Objectives, Scorecards and Metrics

We welcome ORR's requirements for Network Rail to include stakeholders' input in the preparation of route objectives and outputs. This is important to passenger operators and must be supported by clear evidence so that the franchise process can be aligned better with Network Rail's Strategic Business Plans.

Performance continues to be the highest priority for passengers and train operators alike, and Strategic Business Plan's must allow key stakeholders within a route transparency over Network Rail's performance targets and the ability to influence how benchmarks are set. Strategic Business Plan guidance should clearly set out the process for performance targets being planned and agreed with TOCs and form part of the route scorecard. Stakeholder influence over how performance targets are set would be likely to encourage better joint-working to help Network Rail achieve those targets.


The use of scorecards may be a useful management tool for providing data and information, but it is not clear how they will be monitored and how they are regulated when things are not being managed effectively. Further guidance on how route scorecards will be agreed with train operators is required, together with how they will be monitored and managed on an on-going basis. Ultimately, SSWT would like the ORR to clarify how it would hold Network Rail accountable for non-delivery of the scorecards.

SSWT would expect to see a clear and formal structure in place as part of the draft guidance to allow the key route stakeholder to review the outputs and any non-delivery of the SBP annually (or such shorter interval) with NR and where appropriate ORR and DfT to monitor and assess NR's delivery, and for NR to be accountable for non-delivery. SBP's should then have the flexibility to be reviewed, updated and reflect changes to outputs or deliverables agreed with its route stakeholders.

For those regulated outputs ('consistently defined metrics') outlined in Paragraph 51, it will be helpful for Network Rail to explain how those metrics reflect the needs and requirements of route stakeholders and how the outputs are measured.

SSWT look forward to working with ORR as PR18 develops this area further.

Yours sincerely



Lee Shuttlewood
Track Access Manager
Stagecoach South Western Trains Limited



Thomas Wheeler – Response to consultation on draft guidance on Network Rail's strategic business plans

The concerns I would like to raise with Network Rail include:

- 1.) ensuring that the recent deferral of electrification schemes does not become cancellation, and
- 2.) the large amount of demolition of a listed building inherent in the early visualisations of the potential CP6 redevelopment at Cardiff Central

Regarding electrification, the true range of stakeholders is potentially far wider than that suggested in the consultation document. Pollutants emitted from diesel trains could affect the health of people who live near the railway, and greenhouse gas emissions from such trains affect the entire planet. I would suggest a fixed amount of ring-fenced funding for electrification in each year, ensuring continuity of work. That would probably need to be at a national level, to ensure that the schemes with maximum removal of diesel trains are prioritised.

A suggestion consistent with the devolution agenda would be to provide each of Network Rail's routes with their own discretionary fund.

Emily Bulman
Office of Rail and Road
One Kemble Street
LONDON
WC2B 4AN

3rd Floor, Fleetbank House,
2-6 Salisbury Square, London EC4Y 8JX

www.transportfocus.org.uk

9 January 2017

Dear Emily

Periodic Review 2018: draft guidance on Network Rail's strategic business plans

Transport Focus is the independent consumer watchdog representing the interests of rail passengers throughout Great Britain; bus, coach and tram passengers in England outside London; and users of motorways and major 'A' roads in England. We are pleased to respond to this important consultation.

We strongly support the thrust of the document, in particular the focus on a strategic business plan (SBP) for each Route and for the National System Operator (NSO). Passengers' needs will vary from route to route and it is important that these are reflected in Network Rail's plans. Ensuring that the NSO has robust plans to meet passengers' needs is also vital, particularly around train planning capacity and capability.

The following points appear to us to be key:

Engagement with passengers

ORR has signalled, rightly, that it wants to see evidence that Network Rail has engaged with stakeholders in drawing up the SBP plan for each route (including the NFPO) and the NSO. It is extremely important that passengers are consulted effectively and that their voice is not drowned out by rail industry interests and other stakeholders. We believe that there is no substitute for involving those who actually use services in the planning and development of those services. This view is strengthened by the fact that passengers are funding an ever-increasing proportion of the railway – yet as it stands the main funder of the railway has no formal relationship with the infrastructure provider.

Transport Focus is uniquely placed to help Network Rail engage with passengers and understand their priorities at and below Route level. While we can provide some insight based on existing research, if each SBP is to properly reflect passengers' views we believe additional research and passenger engagement is required. Transport Focus would be pleased to discuss options with Network Rail, which might include 'sense checking' the broad thrust of each SBP against passenger opinion.

We also think there are considerable benefits in Network Rail engaging over *how* improvement works should be delivered. This was something covered in the Bowe review which concluded: “The failure to engage effectively with users in this planning of delivery has two impacts. First, it can be seen as contributing to cost escalation, via inefficient planning of possessions and the associated performance payments required to operators through their track access agreements with Network Rail. And second, it may contribute to passenger dissatisfaction on the occasions when things do go wrong”. We believe a good route SBP will explain how Network Rail intends to achieve this.

National System Operator

We support ORR’s requirement for a SBP specifically for the NSO. Transport Focus is particularly keen to see Network Rail set out how it intends to improve its train planning systems capacity and capability in CP6. The areas of particular focus should include:

- Delivering a timetable passengers can rely on 12 weeks in advance (T-12) – a long-standing principle, adherence to which continues to elude parts of the industry
- Becoming truly agile in responding to the need for timetable changes resulting from severe weather, strikes and infrastructure damage etc. – the underlying architecture continues to require two working days to change the timetable (so called Day A for Day C)
- Building a comprehensive understanding of where, and why, aspects of the timetable never deliver on time arrival (i.e. right time) – and so aid long-term performance improvement

Our expectation is that addressing these issues will involve a fundamental assessment of whether Network Rail has the right IT capability and appropriate human resources in these areas.

We suggest that an important metric for the NSO will be the level of timetable change that occurs post T-12.

Transparency

We support the proposal that, in addition to publishing high level plans, a wide range of supporting material should be available to stakeholders (Para 20). We suggest that in the finalised guidance this is couched as “is publicly available”, rather than potentially limited to formal ‘stakeholders’. As part of the drive to engage with passengers it will be important that there is an ‘easy read’ version of the key documents.

Maintenance and capital renewal

We strongly support ORR’s desire to ensure that the right level of funds are available to maintain and renew the existing railway (Para 28).

Seizing opportunities to improve services

We would encourage ORR to signal that it expects each SBP to demonstrate how Network Rail will, as part of a long-term strategy, enhance its product as it carries out capital renewals in CP6. The practice of renewing track and signalling to deliver the same line speed and capacity as was inherited by Railtrack in 1994 cannot be sensible. Doncaster to Grimsby is a case in point: completely resignalled in CP5, but trains capable of 100mph continue to amble along at the historic 55 or 60mph line speed. Is it not reasonable to expect an efficient infrastructure provider to renew the asset so it has greater capability than before? Transport Focus wishes to see each SBP demonstrate how renewals will deliver a long-term improvement in the product, even if through incremental change over many years.

Prioritisation

In Paragraph 37, we recommend that you add “Transport Focus’s research into passengers’ priorities for improvement” in the list research to be drawn on.

Health and safety

As referred to in my opening paragraph, Transport Focus represents the interests of users of England's motorways and major 'A' roads. In that capacity we take an interest in road safety, getting home safety being an important consumer need. The number of people killed or seriously injured on the Highways England network is also a metric used by ORR in its role as Highways Monitor. Being aware of initiatives taken by many of Highways England's suppliers in this area, we suggest you consider asking for SBPs to set out Network Rail's approach to encouraging safe driving for work, including within its supply chain.

Land disposal

Transport Focus encourages a high bar when it comes to making the case for disposal of Network Rail land. The risks of constraining long-term growth, whether in terms of track, depots, stations or car parking, should not be underestimated. Once land has a supermarket or office block built on it, it is lost to passengers for ever.

Other

Table 1. While paragraph 33 makes it clearer that stakeholders includes passengers, but we think it would be helpful to also make this clear in a footnote to Table 1.

Table 2, top right box. Where the draft reads "clear link with passengers and freight customers priorities", we think it would be helpful if the final guidance made it explicit that this covers passengers' priorities as well as train companies' priorities.

Paragraph 93. We think it would be helpful if in the final line it were explicit that "customers and other stakeholders" includes passengers.

I hope this is helpful.

Yours sincerely

Guy Dangerfield
Head of Strategy



Transport for London

Palestra 5th Floor
London
SE1 8NJ

Emily Bulman
Office of Rail and Road,
One Kemble Street,
London,
W2B 4AN

10 January 2017

Dear Emily,

Draft guidance on Network Rail's Strategic Business Plans

This letter sets out TfL's comments on Network Rail's Strategic Business Plans (SBPs). TfL is content for its response to be published and shared with third parties.

TfL welcomes the requirement to engage with train operators and stakeholders and will expect Network Rail to engage with TfL and with our operators Arriva Rail London and MTR Crossrail. We should also be involved in discussions on third party funding within the London area where TfL or GLA has an interest.

The lack of alignment between Network Rail Routes and London's rail operations, especially the two TfL concessions which each operate on several Network Rail Routes, will increase the complexity of reviewing and commenting on the proposals in SBPs. TfL and its operators will have an interest in six of the Route SBPs as well as the national SBP and that of the System Operator.

ORR notes the need for internal consistency within the national level SBPs and TfL would like to understand more about the process used by both Network Rail and ORR to review interfaces between Route level plans and to identify and address any discrepancies. These may be quite small at Route level but have a significant impact on a service such as the Elizabeth line which needs a joined up approach to planning across London and the South East to maintain performance.

The consultation includes a requirement for Routes to support the delivery of franchise commitments. It is essential that this also covers the delivery of commitments made by TfL concessions and other services which are not managed under DfT franchises.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C Smales', written in a cursive style.

Carol Smales
Rail Development Manager

Date: 11 January 2017

Dear Sir/Madam,

Thank you for the opportunity to respond to the consultation on the Strategic Business Plan Guidance. The attached response represents the view of Transport for West Midlands (TfWM), part of the West Midlands Combined Authority (WMCA) and also aligns closely with that of our partners at West Midlands Rail Ltd.

A couple of specific areas are worth highlighting in the introduction to our response.

The West Midlands Combined Authority area lies at the heart of both the national rail network and our regional Travel to Work area. It is an area which has seen the highest rail passenger growth of any UK region and also lies at the centre of the UK's rail freight (especially intermodal) network.

From 2026 the West Midlands will also be the first region outside the South East to be connected to the UK's new high speed rail network. However, if the transport and economic benefits of the new high speed line are to be fully realised we must ensure that the West Midlands rail network is "HS2 Ready" by the time HS2 opens in 2026.

The PR18 Strategic Business Plan Guidance should therefore help facilitate the prioritisation of rail enhancement schemes such as "**Midlands Rail Hub**" and **Kenilworth – Leamington Redoubling** (deferred from 2022 by the Hendy Review).

Such schemes not only provide the rail network capacity (including maximising use of capacity released by HS2) urgently required to meet passenger and intermodal freight growth but will also improve rail access to new high speed station hubs at Birmingham Interchange and Birmingham Curzon St, thereby spreading the benefits of the new high speed line across the wider West Midlands and beyond.

Yours sincerely,



Toby Rackliff
Rail Strategy Manager
Transport for West Midlands
Part of West Midlands Combined Authority

TfWM Response to ORR Consultation on: Strategic Business Plan Guidance

Introduction

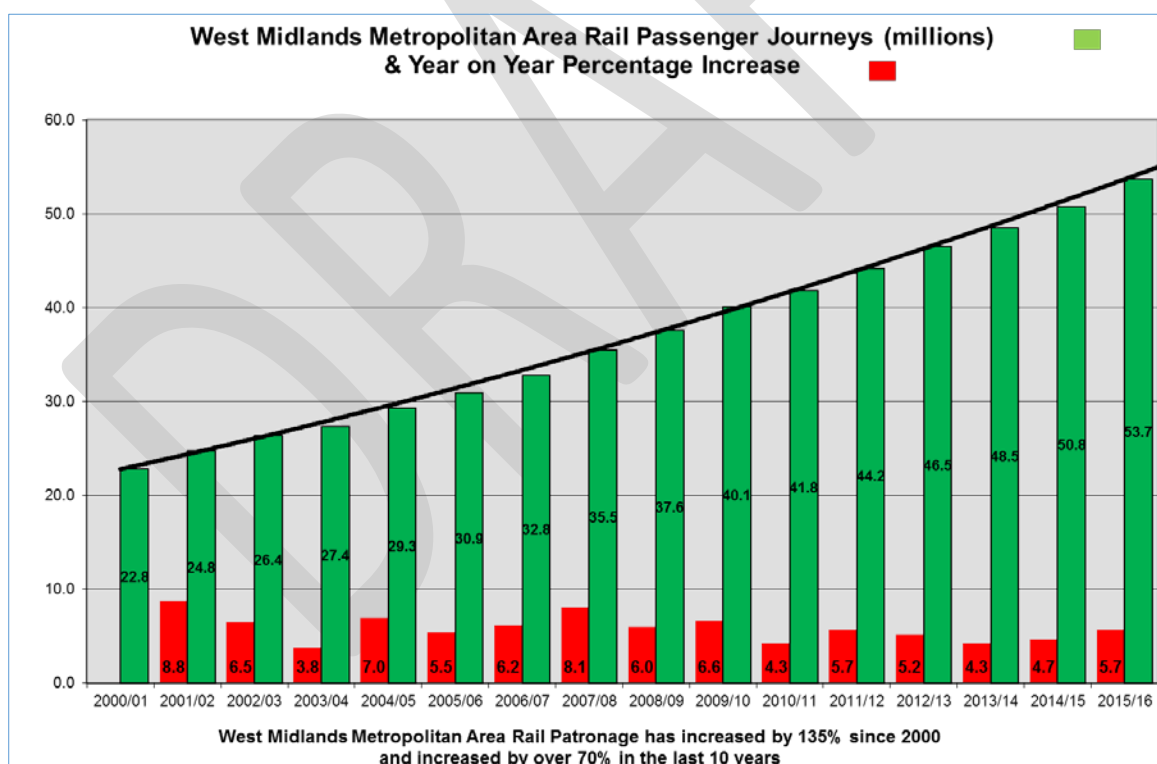
Transport for West Midlands (TfWM), part of the new West Midlands Combined Authority (WMCA), is responsible for guiding and delivering the combined authority's transport strategy to develop a network that fully integrates the region's road, rail, bus and tram systems.

Through our predecessor body, the former West Midlands Integrated Transport Authority (WMITA), TfWM has also been closely involved in the development of the new *West Midlands and Chilterns Route Study*, which seeks to “*identify the capacity and capability the rail network needs*” in order to:

- deliver economic growth by connecting people to jobs & business to markets
- meet the challenge faced by increasing passenger demand

We particularly welcomed the recognition in the Route Study that:

- West Midlands passenger growth continues to exceed the national average
- the level of on-track capacity to meeting growing demand for services into central Birmingham has remained largely unchanged for decades



The “Options for Funders” in the *Route Study* reflects the scale of the passenger growth being experienced across the West Midlands rail network, as well as the need to be “HS2 ready” for the arrival of the new high speed rail line in 2026 and the significant role that the network plays in supporting regional economic growth.

TfWM is also actively working with the **Midlands Connect** partnership (which includes Network Rail) to develop and deliver an improved rail network that supports

the region's economic growth aspirations through improved rail connectivity and capacity between our major centres.

In the more immediate term TfWM is working with its partners in WMR Ltd on ambitious plans to significantly enhance rail services within the West Midlands area through both the West Midlands franchise and the other franchises that provide services in the region.

However, TfWM is concerned that the high costs (and potential for project delays) involved in providing rail network enhancements is a major barrier that the rail industry needs to work together to overcome.

TfWM therefore welcomes the opportunity to comment on PR18 consultations which will set the framework for NR and wider rail industry funding and operation in CP6.

1 TfWM Response Strategic Business Plans Guidance Consultation

TfWM supports the general approach proposed for the production of Network Rail Strategic Business Plans which facilitates the greater devolution of the Routes within Network Rail.

However, given the geography of the routes it is important that there is an effective process in place to ensure there is clarity on responsibilities at the boundaries between the different Routes.

It is also important that the business planning and Route Devolution processes are able to facilitate sensible remapping of route geography. A specific example of a boundary issue in the West Midlands exists in the Worcester area which is peripheral to the Western Route and should more logically form part of the LNW route from both an operational and planning perspective.

The proposal for a Freight and National Passenger Operator (FNPO) route and plan appears sensible from a rail freight perspective but it is important that the Cross Country services (which currently provides over 20% of train services into Birmingham) are holistically planned alongside the other TOCs that operate on LNW (and the adjacent LWE and GW routes) into the West Midlands.

The key issue of managing and expanding rail network capacity in the West Midlands is something that would need to be considered consistently within the LNW route strategic plan, the FNPO strategic plan and also within the national system operator (NSO) strategic plan. Network Rail will require a very clear process for managing these internal overlaps and interfaces as well as adopting an integrated approach to stakeholder engagement on such issues.

However, TfWM warmly welcomes the focus on engaging with stakeholders when developing plans and, as a major stakeholder and public transport co-ordinating body, TfWM would expect to be part of any **Stakeholder Boards** that are created covering the WMCA area, alongside other appropriate partner organisations such as WMR.

TfWM strongly supports objectives related to efficiency and is particularly aware of the high costs of delivering rail projects.

TfWM and our partner authorities have considerable experience of the challenges of dealing with Network Rail and delivering rail projects. We would expect the devolved routes to have greater flexibility to challenge national standards that add to cost but which often offer unclear benefits or only a very small theoretical benefit.

It is only through the individual routes having the ability to develop the appropriate approach to operational standards and practices, design standards and health and safety standards and practices that are relevant for their area, that national comparisons can be made across routes and best practice identified.

It is also important that the business plans can properly consider any potential impacts of the UK leaving the European Union and whether this offers the ability to move away from some of the less appropriate EU standards that might be adding cost to UK rail operations. We would therefore expect there to be some clear guidance on this issue to be offered in the advice to the routes.

The need for clear objectives, **scorecards** and metrics is supported. From a TfWM perspective, the three main issues that the CP6 plans need to support are:

- **Delivery of commitments contained within the new West Midlands franchise (e.g. enhanced services on Sundays)**
- **Support for rail investment schemes being funded and promoted by devolved bodies such as Midlands Connect (notably Midlands Rail Hub)**
- **Planning for a post-HS2 WM rail network from 2026**

Planning for HS2 and its associated schemes and impacts will be a major issue for Network Rail in CP6 which will cut across multiple routes, although LNW route will see most direct impact. It is therefore essential that the SBPs include very clear guidance and objectives relating to HS2.

However, if the transport and economic benefits of the new high speed line are to be fully realised we must also ensure that the West Midlands rail network is “HS2 Ready” by the time HS2 opens in 2026.

The PR18 Strategic Business Plan Guidance should therefore facilitate the prioritisation and early delivery of rail enhancement schemes such as “**Midlands Rail Hub**” and **Kenilworth – Leamington Redoubling** (deferred from 2022 by the Hendy Review).

Such schemes not only provide the rail network capacity (including maximising use of capacity released by HS2) urgently required to meet passenger and intermodal freight growth but also improve rail access to new high speed station hubs at Birmingham Interchange and Birmingham Curzon St, thereby spreading the benefits of the new high speed line across the wider West Midlands and beyond.

Emily Bulman
Office of Rail and Road
1 Kemble Street
London
WC2B 4AN

By e-mail

Your ref:

Our ref:
PR18/D-NRSBP

Date:
11 January 2017

Response to the ORR's Consultation on Draft Guidance on Network Rail's Strategic Business Plans

Thank you for the opportunity to respond to your Draft Guidance paper on Network Rail's strategic business plans (SBPs) for control period 6 (CP6).

The production of these SBPs is a critical part of the PR18 process, representing Network Rail's response to delivering the requirements set out by the Scottish Ministers High Level Output Specification (HLOS) efficiently and effectively alongside the broader approach to meeting the needs of passengers and freight customers.

Changing environment for CP6

Network Rail's preparation of its SBP must appropriately reflect the changing fiscal and regulatory environment, including the impacts of reclassification and the move towards further devolution, the findings of the various reviews completed over the past 18 months, and, linked to this, the recurring theme of needing to ensure that customers are consistently put at the heart of all decision making.

The emphasis placed on effective engagement between Network Rail and its customers is therefore welcome. Whilst the SBP is the responsibility of Network Rail, we would expect this to draw on some of the key themes and opportunities identified through the whole industry Initial Industry Advice (IIA) that is expected to be published later this month.

Structure of submissions

We broadly support the proposed structure for submissions as set out. It is vital that these submissions are clear and accessible to a wide audience, including to non-specialists.

On a point of detail, we would expect to see a consolidated Scotland figure for enhancements in the T1 strategic plan submission (Table 1), reflecting the separate determination for Scotland.

In terms of the financial forecasts, we would expect the ORR's guidance to mandate these forecasts to be realistic, aligned with the new governance arrangements, and to show clear choices and trade-offs.

We welcome the focus on the new freight and national passenger operator route (FNPO) and the national system operator (NSO) plans given the implications that both will have for delivering a safe and high performing railway in Scotland.

If the FNPO is to be a credible part of the new route structure then we agree that it should be responsible for developing its own SBP, with clear guidance around the treatment of assets. This must, however, be fully aligned with the Scotland route SBP, giving full regard to the requirements that will be set out in the Scottish Ministers' HLOS. We would therefore welcome more detail from the ORR on how this could be given practical effect through their guidance on the respective SBPs.

The same principles apply to the NSO SBP. Effective engagement between those responsible for preparing these plans and their customers will be a key factor in determining their effectiveness.

Governance

We strongly agree with the ORR's position that each route should have a large degree of ownership of their strategic plan. In doing so we would reiterate our position that the distinctive needs and priorities of Scotland's railway and the policies of the Scottish Government demand such an approach to protect the integrity of the devolved arrangements for rail. The Scotland Route SBP should therefore be demonstrably focussed on Scotland and the needs and expectations of Scotland's passengers, freight customers and train operators.

The consultation document suggests that Network Rail's central functions may, in some circumstances, find it necessary to amend individual route plans. We see some circumstances where this could be justified but would suggest they are kept to an absolute minimum to ensure meaningful route devolution. Similarly, it remains vital that routes are able to constructively challenge where appropriate, particularly around the long-standing issue around the costs of centralised functions. This may require a softening of the ORR's position regarding the need to be more prescriptive on the respective roles of the NSO, FNPO, and the geographic routes in preparing individual items within their plans.

Additionally, we are aware that some passenger and freight operators have highlighted the need for clarity in terms of who is accountable for the SBP, the level of autonomy commanded at local route level in developing their route SBPs, and what happens in instances of disagreement between the route and the centre. Further guidance may therefore be required from the ORR to help alleviate these concerns.

Stakeholder engagement and scorecards

We broadly agree with the sentiments expressed in the draft guidance in respect of Network Rail's engagement in developing its SBPs, particularly the focus on proactive engagement and genuine dialogue, debate and explanation.

The full and proper involvement of all relevant stakeholders will be critical in the preparation of SBPs. The list provided at paragraph 33 provides a helpful starting point but this could be reasonably extended to include other parties, including, for example, Transport Focus, Local Authorities, Regional Transport Partnerships and key business representative groups.

We broadly support your approach to scrutinising the level of stakeholder engagement in the development of SBPs and your intention to work collaboratively to refine this over the coming months

We note that the ORR proposes to grade SBPs based on how effectively the route or NSO function has engaged with its stakeholders. However, we wonder whether the ORR would be minded to introduce clear guidance that would enable prompt intervention where effective stakeholder engagement is not taking place. It is surely better for ineffective engagement to be addressed immediately rather than retrospectively sanctioned at a point in time where stakeholders are no longer able to influence the development of the SBP.

Route objectives, scorecards and metrics

As set out previously, the development of credible scorecards, agreed between operating routes, customers, and ultimately funders, is critical in ensuring properly aligned whole-industry objectives. We strongly agree that each route's objectives need to be consistent with the relevant HLOS and SoFA and also the expectations set out at paragraph 16, primarily in terms of supporting the delivery of key franchise commitments.

On the preparation of scorecards more generally, we can reflect on the limited experience of the 2016/17 process where, at least in the Scotland Route, Network Rail's engagement in preparing its route scorecards was deemed to be insubstantial by Transport Scotland and a number of operators. We understand that similar sentiments have been echoed by stakeholders in other operating routes. It is clear, therefore, that irrespective of the decision taken by the ORR on whether or not to provide any regulatory oversight in relation to scorecards, Network Rail's engagement needs to be more extensive in order that the scorecards measure outputs that have the greatest resonance for funders, freight and passenger operators and other railway customers.

Given the experiences of CP5 and the further pressures expected on public finances, it is clear that securing improvements in financial efficiency will be critical for funders in CP6 if we are to realise our ambitions for Scotland's railways. This strengthens the importance of ensuring that the ORR can properly scrutinise SBPs and challenge Network Rail corporately and at the route level to ensure challenging but achievable plans are put in place to realise efficiencies.

We support the emphasis set out with regards to asset sustainability and health and safety. Our primary focus for CP6 will be on ensuring we can make the existing railway network perform better, with greater levels of infrastructure resilience and reliability. Safety remains our number one priority but we support the position set out by the DfT that improvements in safety should be accompanied by improvements in financial efficiency.

Activities, expenditure and net revenue requirement

In addition to the expenditure inputs identified by the ORR, we would also expect the PR18 financial modelling process to take account of both Network Rail's income from and expenditure on property and other commercial assets. We have written separately to Network Rail and the ORR on this matter.

Framework Agreement and Memorandum of Understanding

Under the governance arrangements put in place following reclassification, we note that the UK Government is formally required to approve Network Rail's SBPs before they are submitted to

the ORR for scrutiny. Similarly, in respect of Scotland, the Memorandum of Understanding between the Scottish and UK Governments requires that the views of the Scottish Government are considered as part of this approvals process.

We agree with the DfT's position that these requirements should not unduly complicate or duplicate the role of the ORR and will work with them to ensure that due process can be followed in a way that does not compromise the broader regulatory programme.

Concluding remarks

The proposals set out in the consultation document form a helpful starting point regarding your guidance to Network Rail on the preparation of its SBPs. We have set out some points that we trust will be helpful as you consider the final version and would be happy to discuss these further if required.

We thank you for the opportunity to comment on your draft paper and look forward to continuing to work with our colleagues at the ORR and the wider rail industry as we progress through the PR18 process.

Yours sincerely,

Steven McMahon
Head of Rail Strategy & Funding

TravelWatch NORTHWEST

Winner of CILT award for best practice in passenger transport (2013)

promoting quality public transport.....

Emily Bulman
Office of Rail and Road
1 Kemble Street
London
WC2B 4AN

10th January 2017

Dear Emily,

2018 periodic review (PR18): Draft guidance on Network Rail's strategic business plans

Introduction

TravelWatch NorthWest is an independent Community Interest Company representing all public transport users in North West England. We are pleased to give some brief views on this draft guidance.

Our prime concern is that rail passengers benefit as much as possible from the move towards route-level regulation to encourage closer working between Network Rail and train operators. We focus our comments on stakeholder engagement and look forward to further input to strategic plans and the implementation of these in future discussions.

Stakeholder Engagement

We are encouraged by this document as it identifies passengers as primary stakeholders. Previously Network Rail has often appeared to take a stance of distancing itself from its ultimate customer i.e the passenger, and more passenger involvement is to be welcomed. We welcome the requirement for Network Rail to engage widely with passenger groups in the preparation of the strategic plans and to have open dialogue with such passenger groups.

We also welcome that as a minimum, for each route, a meeting with stakeholders to discuss the emerging plans would be scheduled for around February 2017, and a further meeting with stakeholders would take place following submission of the SBP. We emphasise that such meetings must take place in the regions to allow local and regional views to be put forward.

There is also an overall need for NR to be consistent in the way it informs passengers of events in a cohesive style with TOC's. We endorse the

commitment that the routes should set out how they propose to engage with stakeholders during CP6.

Thank you for the opportunity to respond.

Yours sincerely,

John

John Moorhouse
Company Secretary



Consultation Response

The TravelWatch SouthWest Response to the ORR's Strategic Business Plan Consultation

11 January 2017



TravelWatch SouthWest

Response to the ORR's Strategic Business Plan consultation, November 2016

TRAVELWATCH SOUTHWEST CIC

TravelWatch SouthWest was established in 2001 as The South West Public Transport Users' Forum (SWPTUF) to promote the interests of public transport users in the South West of England (comprising the counties of Devon, Dorset, Gloucestershire and Somerset and the unitary authorities of Bath and North East Somerset, Bournemouth, Bristol, Cornwall, North Somerset, Plymouth, Poole, South Gloucestershire, Swindon, Torbay and Wiltshire) - the Forum became a Community Interest Company, limited by guarantee, in August 2005. SWPTUF adopted the trading name of TravelWatch SouthWest in June 2006 and the Community Interest Company changed name to TravelWatch SouthWest CIC in November 2008.

Membership of the TravelWatch SouthWest CIC is open to every 'not-for-profit' organisation in the South West of England whose sole or principal purpose is to represent the users of any public transport service or to promote the development of public transport services - membership is also open to other 'not-for-profit' organisations' in the South West England who represent the interests of particular groups of public transport users e.g. the disabled or the elderly. TWSW currently has over one hundred affiliated organisations.

TWSW, which is a social enterprise company, acts as an advocate for passengers to lobby for the improvement of public transport in the region and works closely with local authorities, local enterprise partnerships, business organisations and other stakeholder groups - with the dissolution of the former Rail Passengers Committee for Western England in July 2005, TWSW is the representative body for public transport users throughout the South West of England.

TravelWatch SouthWest broadly supports the concept of Strategic Business Plans (SBP) with its emphasis on 'geographical routes' and greater stakeholder engagement and hope that in the light of the recent fiasco around the electrification programme for the Great Western Main Line that it will improve Network Rail's efficiency, accountability and ability to deliver on time and on budget. The SBPs are Network Rail's golden opportunity to re-establish its credibility. To this end we raise several comments as set out below.

Strategic Business Plans – what they need to take account of

The format for each route's strategic plan set out in section 6 is supported but we believe that to be more effective account must be taken of the following.

Historic and ongoing growth in rail passenger numbers

Over the last 20 years the South West of England has seen impressive growth in rail passenger numbers. From the Office of Rail and Road's own figures passengers have grown by 194% to 2014/15.

Increase attractiveness to investors

If SBPs aim to increase the role of local funders then Network Rail must make itself more attractive to investors through the SBPs being committed to improving delivery times, reducing costs and ensuring greater value for money. More robust, accurate and reliable costs estimates from the earliest stages of rail projects will provide investors with greater confidence that costs can be managed and delivered on budget.

Network Rail must be prepared to seriously consider projects promoted by local authorities, Local Enterprise Partnerships and other third parties and accept that plans /design will be worked up and implemented outside of Network Rail. This will ensure delivery if Network Rail cannot deploy resources in time to benefit from local /third party funding. Rail projects will be increasingly ignored by third parties if Network Rail does not deliver.

In order to deliver the SBPs and keep costs under control Network Rail will need to improve its commercial relationships with contractors to ensure long-term strategies for use of equipment, purchase of supplies, skills development and apprenticeships. There is a role here for the ORR to play in ensuring that project pipelines are structured to give much better value for money.

Devolution and strategic plans for 'geographical routes' are a welcome step forward but this must be accompanied by a commitment from Network Rail to reform its working practices and corporate structure.

Developments along the route

SBPs must take account of local plans and aspirations to ensure sufficient capacity for travel between centres of population, commerce and education at the right time of day. As highlighted above there have been rapid growth in passenger numbers and a difficulty in keeping up with demand in some parts of the South West. Population growth has been unprecedented here in the last decade; the projections are for this to continue. Transport is an enabler, and a growing population will need to move around. But transport should also enable economic growth. The Local Enterprise Partnerships (LEPs) and Local Authorities (LAs) have an increasingly clear view of the future focusses of population growth and where employment sites are likely to be.

Network Rail, therefore, must develop a better dialogue with local authorities and LEPs to understand and work with Local Plans in order to align its strategic planning to local as well as national needs and opportunities.

As an example the area covered by TravelWatch South West will see around 20,000 new dwellings each year with a commensurate number of new jobs. ONS Subnational Population Projections for the South West estimate a 6.9% population increase in the decade to mid-2022. For the West Wiltshire area in particular population estimates and forecasts suggest that the populations of Trowbridge and Westbury will both expand by more than 21% by 2037 to over 80,000, giving a combined total with those of the almost contiguous towns of Bradford-On-Avon, Melksham and Warminster of over 150,000.

Tourism

For the South West tourism is a key part of the economy attracting millions of visitors a year. We would expect the new 'bespoke' approach of SBPs to fully take this into account and plan for accordingly.

Stakeholder engagement

We welcome the proposals for Network Rail in sections 27 to 41 to proactively and widely engage with stakeholders in the preparation of strategic plans. We stress this should be started as early as possible if the proposed 'bottom up' approach set out in section 6 for each route is to be successful.

In the list of who stakeholders are in section 33 we suggest that in terms of passengers, TravelWatch SouthWest, representing as it does the widest range of passenger groups across the region, should be included as a matter of course for routes in the South West.

The requirement for Network Rail to provide more information, rather than just relying on published plans, and to explain how key stakeholders' points have been addressed are both strongly supported. All this emphasises the importance of engagement being a two way process with genuine dialogue, debate and explanations. To work, Network Rail's commitment to the process must be 100% and whilst we can understand why the ORR does not plan to be directly involved the ORR should be prepared to step in when this is falling short of expectations.

Scorecards and flexibility

The ORR's requirement to be able to compare routes using scorecards and templates sits somewhat uneasily with Network Rail's devolution and each route having ownership of its strategic plan and having the freedom to take a bespoke approach to reflect local circumstances. There is the danger that the use of scoring and comparing routes becomes an end in itself rather than taking account of passenger and freight customer priorities. We would cautiously welcome proposals in section 95 to reward high quality plans.

Enhancements, efficiency and value for money

The draft guidance emphasises renewing the network, maintenance, asset sustainability and improving capability and efficiency but with little priority attached to enhancements. This is disappointing. Given the high levels of passenger growth indicated above simply making the best use of existing infrastructure is not going to be sufficient to meet future demands.

Enhancements should be a key issue for Table 2 and the overarching criteria in section 94 in the guidance. If there are to be no or limited enhancements, and section 45 clearly indicates funding will be constrained, then the SBPs need to be explicit and transparent about what can and can't be afforded and what the impact on passengers will be.

Missing from the need in section 53 for Network Rail to achieve greater efficiency and cost effectiveness for funders is the issue of value for money and timely delivery. Both are fundamental if more third party investment is to be attracted to the rail network. In the light of delays to and the spiralling costs of

the electrification of the Great Western Main Line this is all the more important.

Vinita Nawathe

Chair, TravelWatch SouthWest CIC

www.travelwatchsouthwest.org

Directors: Nick Buckland; Frank Chambers; Tim Davies; Graham Ellis, Richard Gamble; Christopher Irwin;
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TravelWatch SouthWest CIC is a company limited by guarantee. Registration Number: 5542697

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Emily Bulman
Head of Transport Economics
Office of Rail and Road
One Kemble Street
London
WC2B 4AN

13 January 2017

Dear Emily,

PR18 Consultation - Draft Guidance on Network Rail's Strategic Business Plans

Thank you for the opportunity to respond to the recent PR18 consultation on the draft guidance on Network Rail's Strategic Business Plans for CP6.

The comments below are based on the consultation document published on 23/11/16 and we are also supportive of comments made in RDG's response and the Stagecoach Group response as detailed in Graeme Hampshire's letter dated 13/01/2017.

Governance

Virgin Trains East Coast welcomes the ORR's decision to increase focus on regulating each of Network Rail's route businesses and to compare data from the route strategic plans on a consistent basis. It is vital that the governance across all routes is consistently applied. Templates of Route Plans will allow ORR to compare data from different routes and help train operators who might want to challenge Network Rail's data across different routes. Nonetheless, we should not be restricted with strategic plans at route levels only; secondary level local plans with TOCs at relevant routes could increase responsiveness at a local level and be in a better position to deliver improvements to passenger and freight operators.

We also support ORR to make more use of comparison between routes when assessing Network Rail's plans and then hold Network Rail to account for delivery. However, the sign-off arrangements quoted in paragraphs 25 and 26 have no details of how ORR will hold Network Rail to account particularly when they underperform. It will be useful to see in ORR's draft guidance to Network Rail how the accountability element is managed and enforced.

Moreover, devolution of Network Rail's businesses is not new as Network Rail's restructuring to devolve control started in April 2011. The principle is good but it has not been extended deep enough and ultimately has not been implemented consistently across the routes. In our opinion, Network Rail thinks that 'devolution' has already occurred whilst some operators are still waiting for it to occur. There are clearly lessons to be learnt from this 'devolution' that took place six years ago if Network Rail wants to continue to make improvements and to deliver a better service to train operators and passengers.

Stakeholder Engagement

Stakeholder engagement will certainly help Network Rail understand priorities of train operators, passengers and freight operators; it will also provide stakeholders with opportunities to engage widely in the preparation of the strategic plans for the geographic routes. That said, it will only help if Network Rail improves the engagement with stakeholders i.e. train operators, local funders, local transport providers etc. and relates engagement to its core business activities. This is not another mundane task that Network Rail needs to complete to simply tick a box. Therefore, we would want Network Rail to set out clearly how it proposes to engage and with whom they engage in order to build the rapport continuously across various routes.

With reference to paragraph 30, ORR will require in Network Rail's September guidance to its routes to explain how Network Rail has engaged with stakeholders and how they have prioritised their needs. It will be useful to see all stakeholders' aspirations across all the routes. Thus, Network Rail would need to highlight which stakeholders' initiatives have not been included and why they have not been included, and how Network Rail manages conflicting stakeholders' aspirations if there are any.

We agree that train operators can help and work together with Network Rail to increase efficiency and reduce industry-wide costs. Train operators could develop the stakeholder plan for engagement with Network Rail and make sure that Network Rail's approach with stakeholders is consistent across each route. However, stakeholders' ability to inform Network Rail's plans and expenditure projections is limited because train operators do not have much technical expertise in rail infrastructure and signalling systems. Most importantly, ORR must be mindful of the limited availability of TOCs' resources to manage the interface with Network Rail's various route levels and the needs to have a resource in TOCs to assess Network Rail's plans and to challenge when it is necessary as they are not funded through the franchise process.

Route Objectives, Scorecards and Metrics

We welcome ORR's requirements for Network Rail to include stakeholders' input in the preparation of their route objectives and to consider the extent to which they can plan to support the delivery of commitments in future franchises. This is important to passenger operators (existing and future franchises) and must be supported by clear evidence so that the franchise process can be aligned better with Network Rail's strategic business plans.

The role and purpose of route scorecards are still vague. The use of scorecards may be a useful management tool for providing data and information, but it is not clear how they are monitored and how they are regulated when things are not being managed effectively. We would like to understand how each of the route scorecards are agreed with train operators and how they are going to be monitored and managed on an on-going basis. Ultimately, we would like the ORR to clarify how it would hold Network Rail accountable for non-delivery of the scorecards.

For those regulated outputs ('consistently defined metrics') outlined in Paragraph 51, it will be helpful for Network Rail to explain how those metrics reflect the needs and requirements of route stakeholders and how the outputs are measured.

It is noted that renewals delivery has become less efficient during CP5 and there are increasing pressures on improving efficiency and increasing the reliability of assets. There is a lack of visibility and understanding of Network Rail's current status of assets and it is difficult for train operators to challenge this particular area if the data is not available. With respect to maintenance and renewals, there may be base plans set for each control period but we are not certain what Network Rail's monitoring and evaluation process is and therefore it is unclear what percentage of the works set out in the base plans

have been undertaken and at which routes on a national basis. Hence, we would like greater transparency and specificity with renewals activity volumes by asset category in Network Rail's route strategic business plans. Also, there must be a robust change control mechanism if there is any deviation from the route plans.

I hope this response is useful. We are looking forward to working with the ORR, Network Rail and industry partners to take this workstream forward.

If you would like to discuss this in further detail, please feel free to contact me.

Yours sincerely,



Phil Dawson
Regulation & Track Access Manager



Llywodraeth Cymru
Welsh Government

Emily Bulman
Office of Rail and Road

10 January 2017

Welsh Government Response - Consultation On Draft Guidance On Network Rail's Strategic Business Plans

The Welsh Government recognises the importance of the rail network in enabling services to transform the socioeconomic prospects of communities through connecting people, businesses and communities.

That is why we are delivering an ambitious programme of modernisation through the procurement of the next Wales and Borders franchise and south Wales Metro, and. Alongside the electrification of the Great Western mainline to Swansea, these improvements will provide a step change in the quality of service received by Welsh passengers.

Close engagement and support from Network Rail and the ORR will be crucial for us to ensure our priorities are delivered, objectives are achieved and services improved for end-users. The opportunity to shape the future regulatory framework offered by PR18 will be a critical step, and the Welsh Government welcomes the opportunity to comment on the draft guidance to Network Rail on Strategic Business Plans (SBPs).

For the next control period, we would like to see a regulatory framework which incentivises improvements to capacity, journey times and service reliability throughout the network, and which drives improvements in efficiency and better value from the existing network and future enhancements. In order to realise this, it will be key for Welsh Government to be able to hold Network Rail to account for delivery. It will also be important for our decision making that information and data that inform which informs the development of the SBPs is made available .

We welcome the overall focus on route-level regulation and more local accountability, as recommended in Nicola Shaw's report. It will be important for this principle to be a fundamental part of the ORR's guidance to Network Rail - on SBPs and other issues - by promoting better stakeholder engagement. The approach must also recognise that stakeholder interests are not necessarily constrained by route boundaries. The Welsh Government has interests in multiple geographical routes, as well as the FNPO

In moving towards better accountability focused at the route-level, comprehensive and frequent stakeholder engagement will clearly be important. However, consideration should also be given to more in depth and collaborative engagement, proportionate to the interest and influence of the stakeholder. The mechanisms



Llywodraeth Cymru
Welsh Government

highlighted in the guidance tend to focus on stakeholder input rather than collaborative working.

To support this, the ORR should reflect in their guidance the need for greater transparency in how stakeholder views have been gathered, considered and, where appropriate, prioritised. Stakeholders should be able to hold Network Rail to account – via the ORR – if they consider the approach to be inadequate. This should apply to the SBPs, but also more widely, including the development of route scorecards.

When developing maintenance and renewals programmes for strategic business plans, a formal process is required for identifying and developing with funders costed options for concurrent efficient delivery of improvements to the network..

Within the draft guidance, the ORR frequently refers to certain stakeholder groups, including national funders (i.e. those who provide a HLOS / SOFA), local funders and operators / customers'. None of these definitions reflects the unique role that the Welsh Government has, as a franchise manager, as a soon-to-be franchise authority, and as a major funder of railway enhancement schemes. We would therefore anticipate that the ORR, and Network Rail, adequately reflect this status and contribution of the Welsh Government to the rail industry.

Rail Policy Team
Welsh Government
January 2017

Office of Rail and Road
By email

West Midlands Rail Ltd
16 Summer Lane,
Birmingham
B19 3SD

11 January 2017

WMR Response to PR18 Consultations on National System Operator and Strategic Business Plan Guidance

West Midlands Rail welcomes the opportunity to respond to consultations on the National System Operator and the Strategic Business Plan Guidance.

Please find our response to both consultations attached to this letter.

Yours Sincerely,

Malcolm Holmes
Acting Programme Director, West Midlands Rail

WMR Response to ORR Consultations on the National System Operator and Strategic Business Plan Guidance

January 2017

West Midlands Rail (WMR) is the body created to pursue the devolution of local rail services in the West Midlands. It is a limited company formed by 14 local authorities and the West Midlands Combined Authority who form the WMR Board. WMR is currently working with the DfT on the re-letting of the West Midlands Franchise and will have an active role in its future management.

WMR has ambitious plans to significantly enhance rail services within the West Midlands area through both the West Midlands franchise and the other franchises that provide services in the region.

WMR will be actively working with Network Rail and other rail industry bodies to deliver an improved network and improved services and welcomes the opportunity to comment on PR18 consultations which will set the framework for NR and wider rail industry funding and operation in CP6.

WMR will actively look to pursue the funding and specification of enhanced rail services where these meet our economic and social objectives, are deliverable, have a good business case and WMR is able to secure funding. Like all funders, WMR is concerned that the high costs involved in providing rail services and network enhancements is a major barrier that the rail industry needs to work together to overcome.

1 National System Operator

WMR supports the move towards greater devolution within Network Rail but recognises that it has an essential National System Operator role. With the West Midlands' location at the heart of the national rail network the need to effectively balance of the requirements of long-distance freight and passenger services with those of local and regional passenger services is essential. With a severely capacity-constrained network in the West Midlands, how trade-offs between competing demands are managed (and regulated) is of critical importance.

WMR considers it essential that there a clear framework within which the NSO function operates and that its relationship with the individual Routes is also clearly defined. There are currently some blurred lines between the Routes and the NSO especially in relation to responsibilities for strategic planning and scheme development.

We would strongly support the setting of incentives that encourage the identification and utilisation of spare capacity on the network- for example through the timely updating of timetable planning rules following resignalling

and other investment schemes. Examples exist in the West Midlands of the headways in the Timetable Planning Rules still being shown as based on absolute block signalling following a resignalling that occurred over five years ago meaning that the capacity benefits from the investment have not been fully realised.

The NSO also needs to be encouraged to champion the delivery of more flexible signalling and safety rules where these are directly limiting the capability of the network. An example of this would be the systematic removal of permissive working arrangements at many stations which can prevent train plans that optimise the use of rolling stock and network capacity being developed (for example through greater use of portion working on services). The culture of both safety and performance risk aversion that can exist within the geographical routes needs a counterbalance with the NSO to champion more effective use of network capacity.

Given the critical function the NSO function delivers it is important that WMR, as a key stakeholder, has a strong relationship with it and this needs to be managed alongside our relationship with the London North Western Route.

WMR would welcome the opportunity to be part of any working group or stakeholder panel that is developed to monitor performance of the NSO.

In the West Midlands the NSO's role is going to be particularly critical in CP6 as during this time the impact of HS2 on the network will need to be developed and managed. This is going to lead to a fundamental restructuring of rail services on a number routes and will also result in HS2 classic compatible services linking into the current network. A number of complementary infrastructure schemes are also likely to progressed alongside HS2 resulting in further changes to services. It is therefore essential that the NSO is able to meet the scale of the challenge that HS2 will present and that WMR as the specifier of local rail services is fully plugged into the service planning processes.

A specific objective for the NSO relating to maximising the benefits of the capacity released by HS2 might also be appropriate for CP6, alongside the effective integration of HS2 services onto the existing network.

2 Guidance on NR's Strategic Business Plans

WMR welcomes the general approach proposed for the production of NR Strategic Business Plans which supports the greater devolution of the Routes within NR.

Given the geography of the routes it is important that boundary issues are effectively managed in the business plans and that there is an effective process in place to ensure there is clarity on responsibilities between the Routes at these boundaries. It is also important that where there is a sensible remapping of route geography that the business planning process is able to

facilitate this and we don't end up setting up structures that make change difficult. A specific example of a boundary issue in the West Midlands exists in the Worcester area which is peripheral to the Western Route and should logically form part of the LNW route in the event that signalling renewal reaches the area (if not before). There therefore needs to be robust processes in place to identify the costs and the revenues (from access charges, etc) associated with individual parts of the network that might transfer between routes.

The proposal for a Freight and National Passenger Operator (FNPO) route and plan also has major overlap issues that need to be carefully managed and planned for. The Crosscountry franchise currently provides over 20% of train services into Birmingham and it is important that this capacity is holistically planned alongside the other TOCs that operate on LNW route into the city. It is unclear, for example, where plans and expenditure relating to investment at stations that are served solely by Crosscountry would sit.

When it comes to plans for managing capacity in the West Midlands, this is something that would need to sit within the national system operator (NSO) strategic plan, the LNW route strategic plan and also within the FNPO strategic plan. It is therefore essential that NR has a very clear process for managing these overlaps. WMR is keen that NR's stakeholder engagement processes can effectively manage this issue and stakeholders don't have to become involved in multiple engagement processes.

WMR welcomes the focus on engaging with stakeholders when developing plans, and balancing the needs of different stakeholders is going to be a major challenge for Network Rail. The needs of a TOC that has a contractual relationship with NR (albeit usually only for the duration of a franchise) could be quite different to a long-term funder and investor in the network such as WMR or Midlands Connect. Understanding the needs of passengers will also be important, however it is important that any passenger engagement does not cut across work that either operators or funders may also be carrying out.

WMR would expect to be part of any Stakeholder Boards that are created that cover the WMR area, alongside other appropriate partner authorities such as Transport for West Midlands.

The need for clear objectives, scorecards and metrics is supported. From a WMR perspective, the three main issues that the CP6 plans need to support are:

- Delivery of commitments contained within the new West Midlands franchise – including supporting a significant uplift in train capacity and enhanced services (e.g. on Sundays)
- Support for rail investment schemes being funded and promoted by devolved bodies such as Midlands Connect

- Planning for a post-HS2 WM rail network

Planning for HS2 and its associated schemes and impacts will be a major issue for Network Rail in CP6 which will cut across multiple routes, although LNW route will see most direct impact. It is therefore essential that the SBPs include very clear guidance and objectives relating to HS2.

For the LNW route specifically it will need to demonstrate how it can align itself with the needs of devolved bodies in both the West Midlands and the North.

How the business plans for the routes will account for the impact that the NSO will have on their cost and revenue requirements also needs to be considered given that the overall timetable and the operation of additional services is largely owned by the NSO organisation and this has a fundamental impact on the individual routes' business plans. If an individual route budgets on the basis of a certain level of service being operated then there needs to be confidence that the timetable delivered by the NSO is aligned with this assumption.

WMR strongly supports objectives related to efficiency and is particularly aware of the high costs of delivering rail projects. WMR partner authorities have considerable experience of the challenges of dealing with Network Rail and delivering rail projects. We would expect the devolved routes to have greater flexibility to challenge national standards that add to cost but which often offer unclear benefits or only a very small theoretical benefit. It is only through the individual routes having the ability to develop the appropriate approach to operational standards and practices, design standards and health and safety standards and practices that are relevant for their area, that national comparisons can be made across routes and best practice identified.

It is also important that the business plans can properly consider any potential impacts of the UK leaving the European Union and whether this offers the ability to move away from some of the less appropriate EU standards that might be adding cost to UK rail operations. We would therefore expect there to be some clear guidance on this issue to be offered in the advice to the routes.

Office of Rail and Road

By email

10 January 2017

Dear Sir/Madam

West of England response to the ORR's Strategic Business Plan consultation, November 2016

Thank you for the opportunity to respond to the consultation on the draft guidance for Strategic Business Plans. This response represents the views of the West of England which is made up of the four local authorities of Bath & North East Somerset, Bristol City, North Somerset and South Gloucestershire and the Local Enterprise Partnership.

We broadly support the concept of Strategic Business Plans (SBP) and the emphasis on 'geographical routes' and greater stakeholder engagement and hope that in the light of the recent fiasco around the electrification programme for the Great Western Main Line that it will improve Network Rail's efficiency, accountability and ability to deliver on time and on budget. The SBPs are Network Rail's golden opportunity to re-establish its credibility. To this end we raise several comments as set out below.

Strategic Business Plans – what they need to take account of

The format for each route's strategic plan set out in section 6 is supported but to more effective we believe greater account must be taken of the following.

Increase attractiveness to investors

Increasing the role of local funders must be a key aim of SBPs and to achieve this Network Rail has to make itself more attractive to investors through the SBPs being committed to improving delivery times, reducing costs and ensuring greater value for money. More robust, accurate and reliable costs estimates from the earliest stages of rail projects will provide investors with greater confidence that costs can be managed and delivered on budget.

SBPs need to explicitly recognise that third party investors are contributing towards the betterment of the rail network. This should be taken into account when Network Rail seeks outside funds and

adjustments to the size of the investment made accordingly.

As an example, MetroWest Phase 1 will see freight trains on the Portbury line benefiting from higher running speeds, modern signalling and greater capacity as a result of the upgrading to carry passenger trains. Yet these enhancements are entirely funded by the West of England local authorities. Bearing the whole cost is not an incentive to invest.

We have previously made these points as a part of our response to the ORR's initial consultation on the 2018 periodic review but given the importance of attracting more local funding we believe it is worth restating them.

Developments along the route

SBPs must take full account of what is happening along the routes. For the West of England we have an emerging Joint Spatial Plan which is forecasting 105,000 new homes and 82,500 new jobs to 2036. Much of this growth will be close to MetroWest and existing rail services. Traditionally the rail industry has been slow to pick up on local growth or seriously underestimated it. SBPs present the opportunity to tie the two together. This also stresses the need for much earlier stakeholder engagement (see below).

Historic and ongoing growth in rail passenger numbers

Over the last 10 years the West of England has seen impressive growth in rail passenger numbers. The Office of Rail and Road's own figures show passengers have grown by 91% since 2004/05. On the Severn Beach Line the figure is 244%. Our annual West of England Rail Survey which counts all passengers, not just ticket sales, shows higher growth at 93% across all local stations and 248% on the Severn Beach Line. Despite all these trends Network Rail has continued to under forecast future demand.

Stakeholder engagement

Proposals, in sections 27 to 41, for Network Rail to proactively and widely engage with stakeholders in the preparation of strategic plans are welcomed. This should be started as early as possible if the proposed 'bottom up' approach set out in section 6 for each route is to be successful.

The requirement for Network Rail to provide more information, rather than just relying on published plans, and to explain how key stakeholders' points have been addressed are both strongly supported. All this emphasises the importance of engagement being a two way process with genuine dialogue, debate and explanations. To work, Network Rail's commitment to the process must be 100% and whilst we can understand why the ORR does not plan to be directly

involved the ORR should be prepared to step in when this is falling short of expectations.

Reference is made in section 76 to the SBP suite of documents and 'data books' and we seek clarity on whether stakeholders will have full access to these.

The list of who the stakeholders are in section 33 should be made more explicit when referring to local transport providers/local business groups and local funders. Local Enterprise Partnerships, local authorities and in the case of the West of England the new Mayoral Combined Authority should all be included. For passenger groups TravelWatch SouthWest are best placed to be included for routes in the South West.

Scorecards and flexibility

The ORR's requirement to be able to compare routes using scorecards and templates sits somewhat uneasily with Network Rail's devolution and each route having ownership of its strategic plan and having the freedom to take a bespoke approach to reflect local circumstances. There is the danger that the use of scoring and comparing routes becomes an end in itself rather than taking account of passenger and freight customer priorities. We would cautiously welcome proposals in section 95 to reward high quality plans.

Enhancements, efficiency and value for money

It is disappointing that not enough priority is attached to enhancements compared to the draft guidance's emphasis on renewing the network, maintenance, asset sustainability and improving capability and efficiency. Given the high levels of passenger growth indicated above simply making the best use of existing infrastructure is not going to be sufficient to meet future demands. Enhancements will be needed and should be a key issue for Table 2 and the overarching criteria in section 94 in the guidance. If there are to be no or limited enhancements, and section 45 clearly indicates funding will be constrained, then the SBPs need to be explicit and transparent about what can and can't be afforded and what the impact on passengers will be.

Missing from the need in section 53 for Network Rail to achieve greater efficiency and cost effectiveness for funders is the issue of value for money and timely delivery. Both are fundamental if more third party investment is to be attracted to the rail network. In the light of delays to and the spiralling costs of the electrification of the Great Western Main Line this is all the more important.

We trust these comments are of use.

Yours Faithfully

A handwritten signature in blue ink that reads "James White". The signature is written in a cursive style with the first letters of the first and last names being capitalized.

James White
Transport and Rail Coordinator