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Valentina Licata  
Office of Rail Regulation  
One Kemble Street  
London  
WC2B 4AN

date 4 September 2013

Dear Valentina,

**Abellio's response to the ORR's draft determination – Periodic Review 2013**

Abellio operates the Greater Anglia franchise, and (in a joint venture with Serco), the Northern Rail franchise and the Merseyrail concession.

We support, and have been involved in the development of, the ATOC consultation response document. In this Abellio consultation response, we are emphasising and amplifying a number of issues and making some specific comments on enhancement projects that affect our TOCs.

Performance / Capacity / Volume

We support the industry consensus view on the capacity charge / volume incentive / schedule 8, which was set out in the RDG letter dated 28<sup>th</sup> August 2013. We have actively participated in the discussions at the RDG's Contractual and Regulatory Reform working group on this matter.

The National Task Force and the Planning Oversight Group have commissioned work to understand the "trade offs" that apply between capacity, train performance, journey time and cost, particularly on congested corridors. We are actively involved through these industry bodies in steering this work, and it may eventually be possible to define some scientific or semi scientific principles which apply on corridors which have reached certain levels of train performance and traffic volumes, at which point the trade offs seem to come into play. We would support the industry working together to define such principles, so that performance and capacity modelling and forecasting in future, whether as part of setting regulatory targets, or as part of franchise bidding, can be undertaken against industry best practice and knowledge regarding how these relationships work. Such knowledge is already pooled in the field of passenger revenue forecasting, through the Passenger Demand Forecasting Council. It will also be important to understand the interplay between optimisation of these "trade offs" and (i) the financial incentives considered as part of this periodic review, including the capacity charge, volume incentive and Schedule 8 flows, and (ii) the way the Timetable Planning Rules might be developed in the future under the Network Code provisions.

### Structures and earthworks

We are pleased to see recognition within the draft determination for the need to improve Network Rail's delivery of civils asset management, in particular relating to structures and earthworks. Our Northern TOC has experienced a number of mainline derailments and near misses caused by a lack of adverse weather resilience on the part of Network Rail's embankments, cuttings and tunnels, and whilst safety risk control measures have been strengthened, permanent long term resilience in these assets is required.

### Northern Hub enhancement

We are disappointed with the ORR consultant's assessment of both the Pre-HLOS and Post HLOS Hub costs and urge the ORR to re-assess the recommendations for the Hub interventions.

The Pre-HLOS intervention includes the £130 million pound fund announced in the Chancellor's 2012 Budget to deliver journey time and capacity improvements on three specified routes. We believe that this allocation of investment monies should be treated as a Fund and it is intended for the industry to develop a package of interventions that delivers maximum benefits in line with wider Hub objectives for the £130 million pounds of infrastructure investment. It therefore must not be included in this Periodic Review neither should the £130 million fund be subjected to any efficiency or risk reductions.

The Post-HLOS reduction of £115 million potentially jeopardises the viability of the overall Hub Scheme and we believe that the project is not yet far enough developed to be subject to the scale of risk reduction or efficiency savings as proposed in the Draft Determination.

We recommend that the ORR re-assesses the Hub scheme funding to ensure that the scheme can be delivered in its entirety which is in line with the Governments HLOS to fund the completion of the Hub enhancements. We are deeply concerned that if the £115 million reduction stands then the Hub scheme will have to be de-scoped which will result in some towns and cities being dis-enfranchised from this major investment and deprive them from the economic growth opportunities that underpin the Hub.

The major interventions in Post HLOS funded schemes are focused on the new platforms 15 & 16 at Piccadilly and the major works at Oxford Road including the Deansgate corridor to enable more trains to run between North and South Manchester. It is essential therefore essential that adequate funds are made available to implement both these interventions, without which the underpinning principles of Hub will not be achieved.

We welcome the mechanism proposed by the ORR for determining the efficient cost and outputs in two steps, which if applied to the Hub as a whole will enable Network Rail to develop all of the proposed Hub interventions to a greater level of cost certainty by the March 2015.

### Enhancement on the Greater Anglia network

We welcome the commitment to maintain network capability and improve it when enhancement works take place. This latter area is one where Network Rail has noticeably failed to deliver on the East Anglian part of its

network in recent years, with much work undertaken, but little or no resulting enhancements for passengers and the region.

However, we feel that there is a major omission in the determination in relation to planned infrastructure enhancements for East Anglia. There are no line speed or capacity upgrades for the Great Eastern Main Line (GEML) included in the outputs, other than the minor Crossrail-linked works at Bow Junction. This is a significant and real error, which completely ignores the very clear expectations and aspirations of regional stakeholders as outlined in the recent document 'Once in A Generation – a rail prospectus for East Anglia', which identifies key strategic investment priorities such as increased capacity on both the Great Eastern and West Anglia lines; increased line speeds (on the GEML in particular); capacity and line speed improvements on the Felixstowe to Nuneaton corridor to enable the delivery of both freight and passenger service enhancements (between Ipswich and Peterborough and between Norwich and Cambridge); longer term electrification of key routes and a number of other short and long term priorities for service upgrades across the region (see <http://www.newanglia.co.uk/Assets/Files/Content/Rail%20prospectus%20for%20East%20Anglia.pdf>).

Not only that, but many regional stakeholders wrote directly to the ORR in the early part of 2013 when Network Rail published their draft Strategic Business Plan, clearly stating their desire for two specific GEML upgrades - increased capacity (through installation of long loops north of Chelmsford) and line speed improvements to secure quicker journey times. Yet none of these aspirations seem to have been taken into account in the draft determination, despite the case for major upgrades being very strong economically as well as socially, environmentally and politically.

An East of England Development Agency 2010 study (undertaken by Atkins) into investment in the Great Eastern Main Line suggested economic benefits of £3.7bn would result from significant enhancements to capacity, line speed and service quality. This report followed a Transport Economic Evidence Study in 2008 which showed that the GEML was the rail route in the region which most justified upgrades in terms of its impact on the wider regional economy.

Over 360,000 new houses are planned for Cambridgeshire, Essex, Norfolk and Suffolk combined by 2031. In addition, the region is one of only two net contributors to national GDP, serves the City of London and has major potential for economic growth, as well as a real stakeholder desire to see rail upgrades as a way of generating sustainable development. In other words, there is a real case that there is a strong market for rail in the region and for investing in the service upgrades to meet that market potential.

Furthermore Network Rail's own London and South East Market Study suggests growth of 32% in passenger numbers using the GEML by 2023 and between 52% and 75% by 2043 and that's before any additional growth that enhancements might prompt.

We believe it is essential to take into account these likely rail demand trends, regional development plans, potential economic conditions, predicted housing and job growth figures and other wider factors that may influence rail service patronage, in deciding future investment plans and the actual outputs to be delivered. When you then add in the clear priorities set out by all key stakeholders in the region, who are all absolutely

united in seeking realistic capacity and line speed improvements on the GEML by 2019, there is a compelling case for these enhancements to be delivered. It's worth noting, too, that some line speed improvements could be achieved using the national Passenger Journey Improvement Fund (for which £300M has been allocated in CP5).

Rail's role is integral to the regions, economies and communities it serves, not apart or independent from them, so planning service provision and capacity needs to take into account how they will develop over the period in question, as well as the evident trends that already exist and the known requirements of regional stakeholders. It is also important to evaluate what growth would be stimulated by rail improvements and what growth might be foregone if capacity and service levels are not upgraded.

As with other TOCs, demand growth has continued across Greater Anglia despite the recent economic recession. A further factor to add is that for three and a half years after the banking crisis really hit in September 2008, the disincentives associated with the franchise "cap and collar" mechanism then in place meant that rail marketing activity was below the normal levels. Six years of extensive weekend engineering work on the Great Eastern Main Line (GEML) from 2006 – 2012 have also suppressed leisure travel. So there are a number of additional factors which strengthen further the case for GEML upgrades.

We therefore recommend that long loops north of Chelmsford and line speed improvements on the GEML are specific outputs for Network Rail in CP5.

Two other significant routes necessitate additional attention, although there are some plans in place for CP5. They are the West Anglia route and the Felixstowe to Nuneaton corridor. The plans for CP5 are positive and should be delivered, although there is a need to ensure that either long loops or sections of "double-tracking" are installed on the Felixstowe to Ipswich section of line.

However, an equally critical issue is that preparatory planning should be undertaken in CP5, which leads to more dramatic upgrades in CP6. In the case of the West Anglia route, this would be "4-tracking" from Copper Mill Junction to Broxbourne. In the case of Felixstowe to Nuneaton it would be route electrification.

Whilst it is understood that opportunities to fund certain network enhancements will arise outside of this periodic review cycle, as has been the case during CP4, we think it is important to raise the issue of these much needed improvement in the East Anglian network now. We will be working with Network Rail and other industry partners to put the case for a number of these schemes as part of the allocation of resources from the "ring fenced funds."

### Conclusion

We are grateful to ORR for the opportunity to comment on the draft determinations, and hope that lessons learnt from PR2013, especially in respect of joined up impact assessments on industry parties, can be taken into account for the next review cycle.

Yours sincerely,

J.Chaudhry

Jan Chaudhry  
*Business Improvement Director*