



HOUSE OF COMMONS
LONDON SW1A 0AA

Ms Alice Jones
Office of Rail Regulation
1 Kemble Street
London WC2B 4AN

4th September 2013

Periodic Review 2013: Draft Determination of Network Rail's outputs and funding for 2014-19

I write as a part of the East of England rail group following the publication of *Once in a Generation – A Rail Prospectus for East Anglia* and after a meeting I held with my colleague, Priti Patel, the Member of Parliament for Witham, and Mr John Larkinson and Mr Alan Price of the Office of Rail Regulation on the 3rd September.

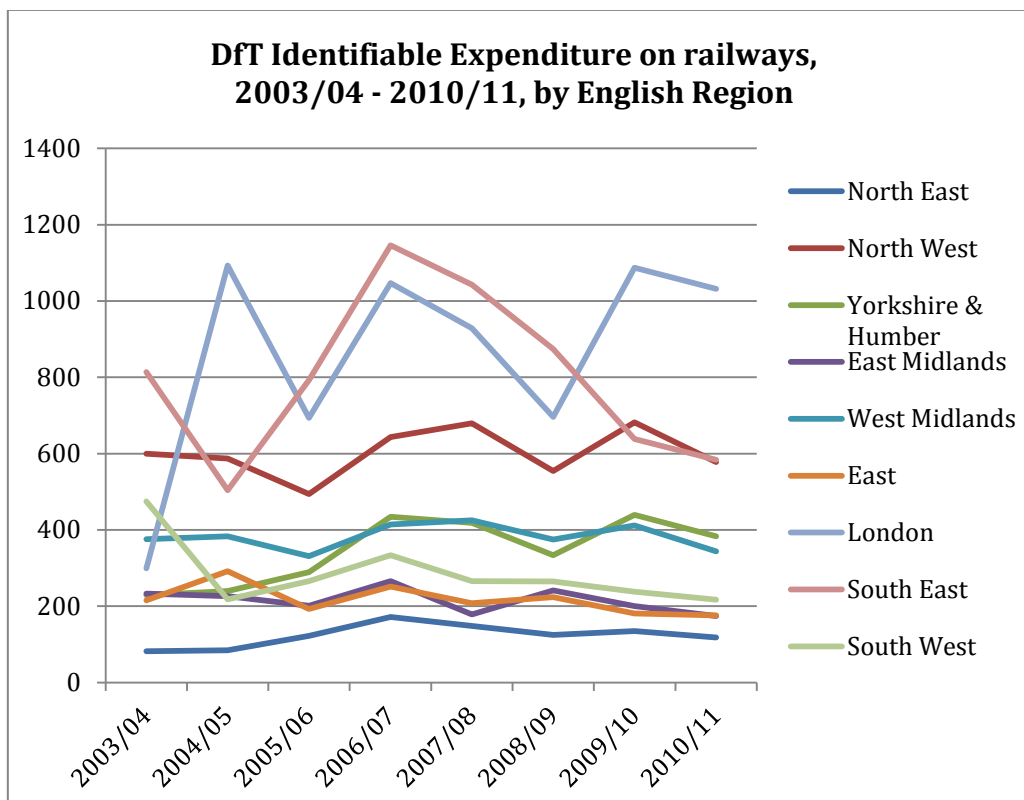
I summarise, below, the two salient points that I made to Mr Larkinson and Mr Price as a response to the consultation into the Periodic Review 2013 and as general comments on the regulation of Network Rail.

- *The disaggregation of spending by Network Rail* – it has proved consistently difficult to extract from Network Rail detailed figures for sub-regional rail investment. I understand that the ORR has successfully pressed Network Rail to disaggregate investment spending beyond the production of national figures but I feel that further progress needs still to be made. Mr Larkinson undertook to investigate the possibility of further disaggregation on the 3rd September.
- *Historic under-investment in the railways of East Anglia* – I understand fully the ORR's statutory position and its inability to direct investment decisions. It is, nonetheless, important for the ORR to be aware of the historic relative neglect of the East of England with regard to rail investment, especially as it is a region without the substantial motorway network found elsewhere in the country, giving rail a special strategic significance to the region. The economic benefits that could be realised from investment in East Anglia are also consonant with the ORR's objectives for the railways that are set out in the PR13. I include a short memorandum setting out the history of rail investment in East Anglia and the strong case for future investment in the region to illustrate this case.

I trust that the ORR will be mindful of the points I make, above, and I look forward to the publication of the final determination.

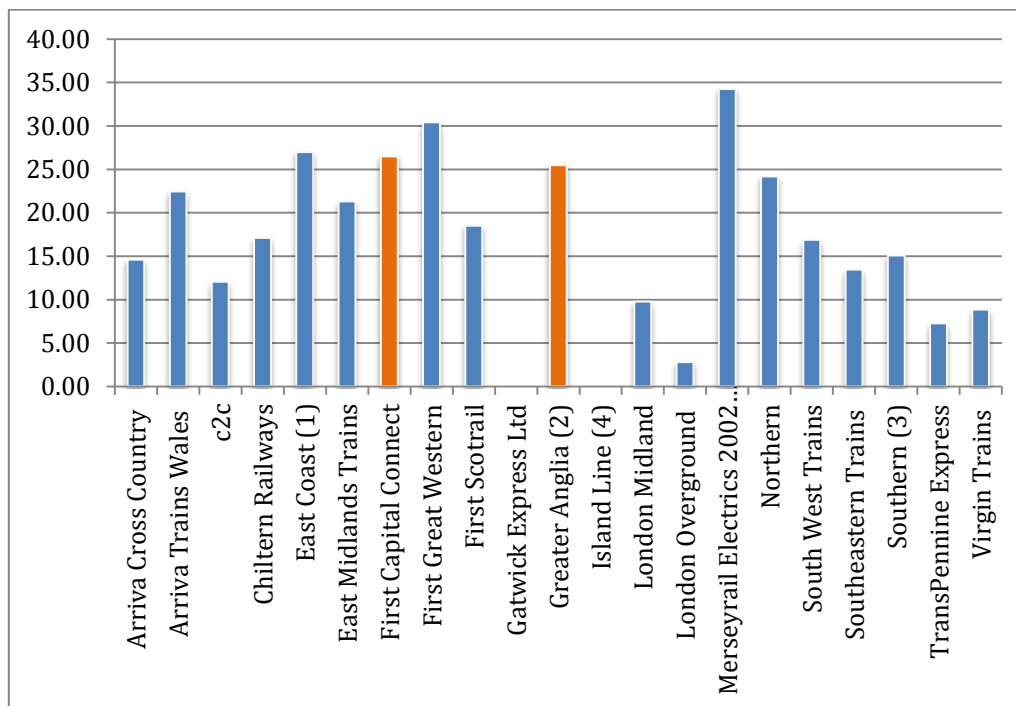
Appendix

Graph 1: DfT identifiable expenditure on railways, 2003/04 - 2010/11, by region in real 2010/11 prices, £'millions



Source: DfT; HM Treasury

Graph 2: Average age of rolling stock by TOC, 2012 Quarter 4



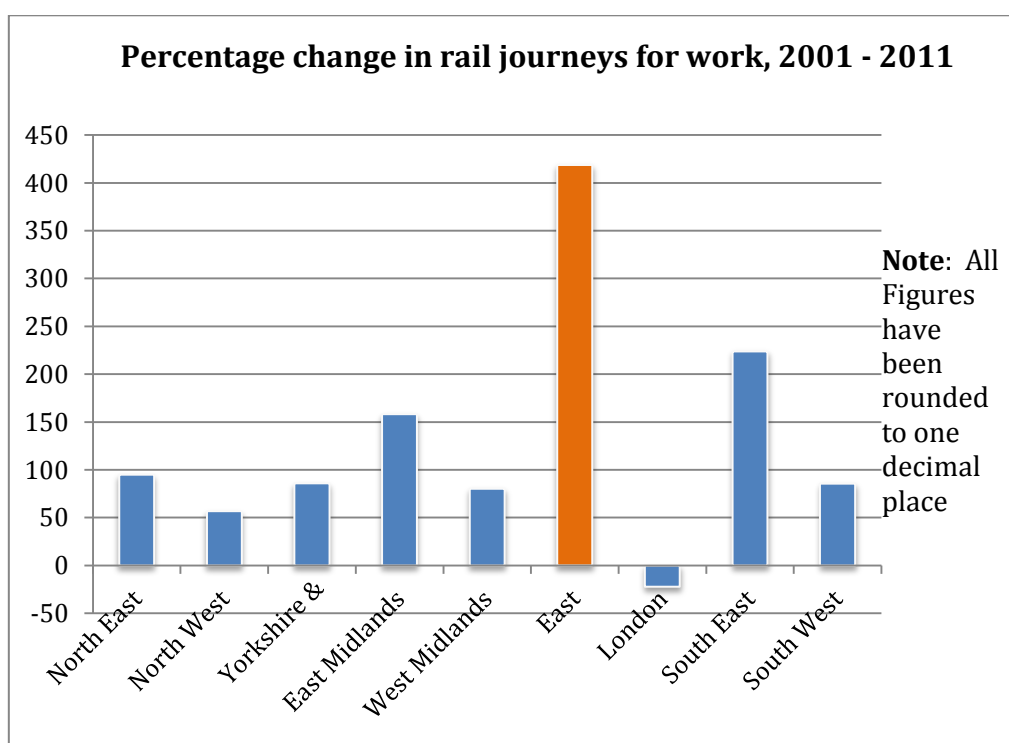
Source: Office of Rail Regulation

Table 1: Gross Value Added in East Anglia counties, from 2000 – 2011

County	Gross Value Added by year (£billion)											
	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11
Cambridgeshire	8.4	9.0	9.5	10.1	10.9	11.5	12.4	13.2	13.5	13.1	13.7	14.2
Norfolk	9.2	9.6	10.2	11.0	11.8	12.4	13.1	13.7	13.8	13.5	14.0	14.3
Suffolk	8.3	8.8	9.3	9.9	10.6	11.1	11.8	12.3	12.4	12.1	12.6	13.0
Essex	15.4	16.4	17.5	19.1	20.4	21.4	22.6	23.9	24.2	23.4	24.1	24.8

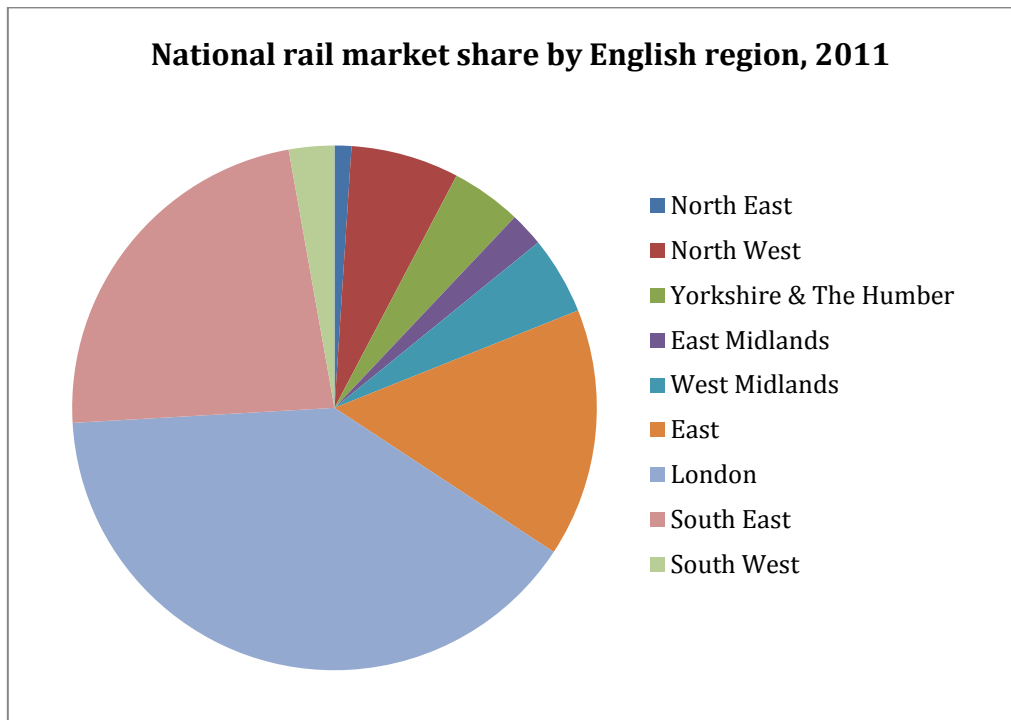
Source: Office for National Statistics

Graph 3: Percentage change in rail journeys for work by English region, from 2001 - 2011



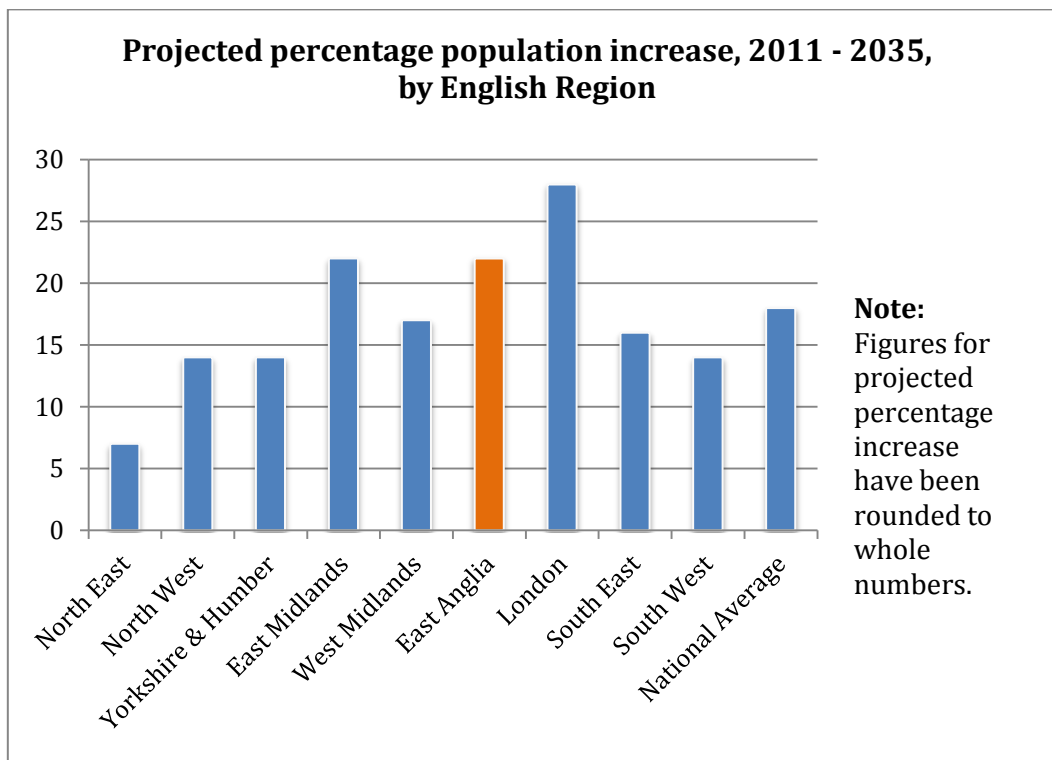
Source: Office for National Statistics

Graph 4: National rail market share by English region, 2011



Source: Office for National Statistics

Graph 5: Projected percentage population increase, 2011-2035, by English region



Source: Office for National Statistics

Memorandum

The case for rail improvement in East Anglia

Summary

The East has consistently been the second poorest region in England with regard to rail investment. This has been the case despite passenger numbers growing at the fastest rate in the United Kingdom. Cambridgeshire may have seen considerable investment in recent years but these benefits do not extend to Norfolk, Suffolk and Essex. Existing pressures on capacity on the Great Eastern Main Line (GEML) will be exacerbated in the forthcoming years as East Anglia's population growth is set to be the second fastest in the country to 2035. Network Rail analysis supports the likelihood of bullish passenger growth. High Speed 2 (HS2) will be a further strategic challenge facing the region. Businesses in East Anglia have repeatedly identified the region's infrastructure as the most significant constraint on the regional economy and a characteristic of the region that fails to support East Anglia's rapidly growing reputation as a centre for world-leading technological innovation. Analysis has shown that improvements to East Anglia's track and rolling stock will add at least £3.7 billion to the national economy.

Rail Investment in East Anglia

- Between 2003 and 2011, Department for Transport (DfT) identifiable rail investment in Eastern England has been lower than in all of the other English regions apart from the North East and, in 2004/05 and 2008/09, the East Midlands (**Graph 1**)¹. In the period 2008/09 – 2010/11, for example, investment fell from £224 million to £176 million whereas other regions saw investment grow considerably in the same period.
- East Anglian train operating companies (TOCs) run the fourth oldest rolling stock in England and Wales (**Graph 2**). First Capital Connect operates rolling stock of an average age of 26.48 years; the figure for Greater Anglia is 25.47 years. The national average age of rolling stock is 18.64 years².
- The TOC average ages conceal the nature of the rolling stock operated on the GEML. The Mark III standard class passenger carriages between Norwich and London date to the 1970s and were last refurbished in 2005/06³. They lack the modern facilities, such as plug points, common elsewhere in the country.
- Past failures to invest in track and old rolling stock have prevented the realisation of considerable reductions in journey times seen elsewhere in the UK.

¹ <https://www.gov.uk/government/publications/department-for-transport-annual-report-and-accounts>. Figures for East Anglia are even lower once the eastern counties of Bedfordshire and Hertfordshire are discounted.

² <http://dataportal.orr.gov.uk/displayreport/report/html/53dcc4e1-3223-48f9-9e9c-10d51359cdd7>

³ Mark III carriages on the GEML also received minor, cosmetic improvements in 2010/11.

Rail Investment and the Economic Contribution of East Anglian Counties

- The historic underinvestment in East Anglia looks set to be remedied, to a degree, in promises recently made to some parts of the region. Cambridgeshire has received pledges of considerable investment to take place in Control Period 5 (CP5). Major infrastructural development will take place to the north of Ely, the Ely North Junction, and the three tracking scheme for the West Anglia Main Line (WAML) has also been funded and planned.
- Track upgrades in Cambridgeshire have been justified, at least in part, through the county's considerable contribution to the Exchequer. In terms of headline Gross Value Added (GVA) at current prices, the method used by HM Treasury to assess the economic contribution of regions and counties to the national economy, Cambridgeshire's contribution has grown from approximately £8.5 billion to £14.3 billion in the period 2000 – 2011. This has certainly made Cambridgeshire one of the most valuable counties in the UK⁴.
- Norfolk, Suffolk and Essex, however, contribute far more to the economy than Cambridgeshire. Norfolk has actually outstripped Cambridgeshire GVA in every year since 1997 apart from in 2007. In 2000, for example, the combined GVA of the East Anglian counties was over £30 billion; in 2011, combined GVA was over £52 billion. Despite this, there are, as yet, not major upgrades agreed for the GEML.
- South Essex is admittedly set to benefit from Thameslink and Crossrail. Considering that these developments will have no direct impact on journeys on the GEML to Suffolk and Norfolk, however, the point about regional inequity still stands. Norfolk and Suffolk GVA in 2011 was over £27 billion.

Passenger Growth

- Low levels of rail investment in East Anglia contrasts markedly with growth in the region's passenger market. Between 2001 and 2011, the number of people travelling by rail for work in the region increased by 418%. The national average growth rate was 37% (**Graph 3**)⁵. East Anglia now has the third largest share of the rail passenger market by English region (**Graph 4**).

⁴ <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-265236>

⁵

http://neighbourhood.statistics.gov.uk/dissemination/hierarchySelection.do?step=3&datasetFamilyId=123&instanceSelection=062&hierarchyId=2&Next.x=14&Next.y=7&rightPaneBoxHeight=0&JSAllowed=true&browserHeight=799&browserWidth=1423&%24ph=60_61_62¤tPageI&nsjs=true&nsck=false&nssvg=false&nswid=800

- Growth in East Anglia's passenger market is set to continue, partly as a result of the region's population being expected to grow by 18% in the period 2011 – 2035 (**Graph 5**)⁶. Network Rail (NR) analysis as part of the Long Term Planning Process (LTPP) has shown that peak hour passenger demand on the GEML will grow by 32% between 2011 and 2023 and by 75% between 2011 and 2043⁷.
- The GEML, therefore, will be one of the fastest-growing inter-city railway lines in the country. Passenger growth on the West Coast Main Line (WCML), for instance, is projected to be only 22% in the period 2011 – 2023. Passenger growth on the Great Western Line (GWL) in the shorter time horizon will equal that on the GEML.

Strategic Threat from HS2

- East Anglia will not benefit from the improvements to journey times and the passenger experience that will accrue to passengers travelling between the North of England and London that will result from HS2, the most important development in the rail infrastructure of the UK since the 19th century.
- HS2 will slash journey times from London to Birmingham by 42%, to 49 minutes. Birmingham, therefore, effectively will be closer to London than Ipswich, which is 83 minutes away from the capital⁸.
- HS2 will cut journey times from London to Manchester by 47%, to 68 minutes. Manchester will then be closer to London than Norwich, which is currently 115 minutes away from the capital.
- HS2 risks rendering East Anglia a distant annex to the rest of the country.

The Business Case for Rail Improvement

- Business has consistently identified the relatively poor infrastructure of East Anglia as the most significant constraint on the region's economy. Limitations to the region's road network – the M11 runs through only the south-west section of Cambridgeshire leaving the rest of East Anglia over-dependent on the single major trunk road, the A14 – gives rail a special significance to the region. The Chambers of Commerce of Essex, Suffolk and Norfolk have repeatedly lobbied for improvements to the GEML⁹.

⁶ <http://www.ons.gov.uk/ons/rel/snpp/sub-national-population-projections/Interim-2011-based/index.html>

⁷ <http://www.networkrail.co.uk/improvements/planning-policies-and-plans/long-term-planning-process/market-studies/london-and-south-east/>

⁸ <http://www.hs2.org.uk/about-hs2/facts-figures/connectivity-journey-times>

⁹ http://www.suffolkchamber.co.uk/policy/infrastructure/reports_letters_to_ministers_etc

- East Anglia is home to the largest research and development centres in Europe: the high-value-added, technological cluster of businesses at Cambridge, the Norwich Research Park and Adastral Park, near Ipswich. Norwich Research Park, for example, occupies over 160 hectares, encompassing around thirty life-science based companies with over 11,000 employees and a combined research and development spend of £100 million every year.
- Mirroring the region's possession of knowledge-led, high value-added companies, East Anglia has one of the highest concentrations of the most highly qualified people in the country and has the second highest employment rate among the English regions. It ranks third with regard to resident wage rates and the proportion of people working in the most specialist roles – such as research and development – far outstrips the national average. Job growth will also outstrip the expected national rate of growth, at 12% in the period between 2011 and 2031¹⁰.
- Rail improvements would play a crucial role in optimising East Anglia's economic performance by creating a higher level of connectivity for the knowledge-led industries that require a high level of interaction to thrive. A study commissioned by the transport consultants Atkins in 2010, the findings of which were published in *Once in a generation – A rail prospectus for East Anglia*, found that faster journey times in East Anglia would add £3.7 billion to the UK economy¹¹.
- Improved journey times on the GEML especially could leverage considerable benefits for East Anglia and the country. Better connectivity between the research centres in Norwich, and increasingly Ipswich, and the City of London could drive further investment and far greater added value.

¹⁰ http://www.cambridgeshireinsight.org.uk/webfm_send/575

¹¹ <http://www.newanglia.co.uk/Assets/Files/Content/Rail%20prospectus%20for%20East%20Anglia.pdf>