

Office of Rail Regulation Draft Determination – Consultation Response

South Yorkshire Integrated Transport Authority (SYITA) welcomes the opportunity to respond to the Office of Rail Regulation's consultation on its draft determination of Network Rail's outputs and funding for 2014-19.

In February 2013, SYITA sent comments to the ORR on the following aspects of Network Rail's Strategic Business Plan (SBP):

1. Capacity improvements and electrification of the Midland Mainline (MML);
2. Upgrades to Sheffield Station;
3. Planned Electric Spine activity from 2019 onwards;
4. East Coast Mainline (ECML) improvements and upgrades to Doncaster Station;
5. Northern Hub;
6. Capacity improvements on Liverpool Lime Street – Nottingham services;
7. Intercity Express trains;
8. High Speed 2.

This submission considers how these issues have been addressed in the Draft Determination. We will also comment on a number of issues which are specific to the Draft Determination that have a particular relevance to South Yorkshire.

1. Capacity improvements and electrification of the Midland Mainline (MML). In the July 2012 High Level Output Statement (HLOS) Government stated that the MML would be electrified to Sheffield within CP5, i.e. before April 2019. In the Strategic Business Plan, Network Rail has put forward December 2020 as the completion date for this work. Electrification of MML will bring significant economic benefits to South Yorkshire and for this reason the ITA strongly supports its implementation at the earliest possible opportunity. We therefore welcome the recognition in the Draft Determination of the strong support from both operators and stakeholders for the completion of electrification to Sheffield within CP5, i.e. earlier than stated in the SBP (paragraph 9.82 & 83) and in particular support the ORR's expectation that Network Rail can re-programme the work to deliver the Government's HLOS commitment. We would like a requirement in the Final Determination for Network Rail to publish a revised timetable for MML electrification that meets the HLOS requirement.
2. Upgrades to Sheffield Station. The resignalling and remodelling of Sheffield Midland station should be fully delivered in CP5, in combination with electrification of the MML (rather than these being delivered as separate projects), to avoid two periods of disruption to passengers. We would welcome confirmation of this in the Final Determination.
3. Planned Electric Spine activity from 2019 onwards. The HLOS called for the rail industry to identify the most efficient strategic electrification schemes that may be considered for CP6, which should include freight linkages in Yorkshire. There is no reference to CP6 electrification in the Draft Determination, however it calls for better targeting of development funding in future control periods than in CP4 (paragraph 9.37). We believe that planning work will need to take place within CP5, to enable electrification to continue north from Sheffield (via Moorthorpe and via Barnsley) early in CP6 and that this should be funded from the CP6 Development Fund.
4. East Coast Mainline (ECML) improvements and upgrades to Doncaster Station. We welcomed the identification in the HLOS of a fund of up to £240m for ECML enhancement. As part of this we also welcome the recent decisions by the ECML

Programmes Board to approve expenditure of £20.2m for improvements at Doncaster station and £75m on schemes at Peterborough and Newark. We strongly support the ORR's position on the governance of funds such as the ECML Connectivity fund and the recognition of the important role of PTEs as key stakeholders.

5. Northern Hub. In the Infrastructure Delivery Update published by Government in March 2012 alongside the Budget, Government announced a commitment to increase "capacity on the Hope Valley line between Manchester and Sheffield which will enable the number of fast trains to double". Currently there are two fast trains an hour on this route, so the committed upgrade will lead to a capability for four trains per hour. The July 2012 HLOS reiterated the commitment to enhance the Manchester Sheffield route, stating that there would be "capacity improvements between Manchester and Sheffield and line speed improvements on [the] Manchester to Sheffield ... route" (Paragraph 33).

SYITA has consistently supported the Northern Hub project because of the economic benefits that will flow from the capacity and line speed upgrade. The planned improvements to the South Trans Pennine route and in the Dore and Totley station area will increase capacity for both passenger and freight services, enabling faster and more frequent services and improving reliability; significantly improving economic connectivity between the city regions of Sheffield and Manchester (paragraph 9.87). The Northern Hub package has been shown to be an excellent value for money intervention. Because of this we consider that full delivery of the Government's commitment to increase capacity and line speed on the Hope Valley route within CP5 is essential. We consider it vital that sufficient funding is allocated to Network Rail to deliver the entire Northern Hub package, so realising the pan-regional benefits that were instrumental in gaining the widespread support from across the North that the package enjoys.

The ORR has a very important role to play in ensuring the Government's investment in enhancing the national rail network is delivered efficiently and provides value for money. However, as long as the outputs specified by Government remain value for money, it is not the ORR's role to re-specify the defined outputs. As part of the Draft Determination (and informed by the advice received from Nichols), ORR has proposed that Network Rail's Northern Hub budget is reduced by £115m. Our understanding (gained from our PTE's engagement in the Industry Planning Group) is that Network Rail no longer considers it has sufficient funds to deliver the specified output for the Hope Valley route.

We recognise that it is inevitable that there will be a degree of tension between ORR and Network Rail on the appropriate levels of priced risk associated with any particular enhancement, as well as the programme-wide efficiency gains that can be made. Indeed, this tension is important if the optimum settlement for the public purse is to be reached. However, we believe that the specified outputs are not deliverable with the budget reductions proposed by the ORR. Indeed, we consider that the scheme may be under-funded. We do not consider it acceptable that the ORR's proposed settlement leads to a de-scoping of a value for money package of investment that enjoys such widespread support from across the North. Furthermore, the support for full delivery of the Northern Hub programme stretches across the political spectrum and it is likely that communication on this issue will be made directly to the Secretary of State.

The Industry Planning Group has supported the retention of the Conditional Outputs specified by the Northern Way for Sheffield – Manchester connectivity. In summary, these are a minimum of three express trains per hour, with an even service interval (i.e. 20 minute headway) and a journey time of 40 minutes. We consider it essential that ORR reviews and then amends its proposals for Northern Hub funding to allow the enhancements to be delivered to the Government's specification.

6. Capacity improvements on Liverpool Lime Street – Nottingham services. We welcome the stated intention in the SBP to increase capacity on this corridor by train lengthening, to overcome the frequent crowding problems on this popular route.
7. Intercity Express trains. We welcome the confirmation that these will be implemented on the ECML from 2018 onwards (paragraph 9.88), and were pleased by the recent confirmation of a further 270 cars to be introduced into service on the ECML in 2019. The Government's announcement on the additional Intercity Express Programme (IEP) rolling stock for ECML post-dated the publication of the Draft Determination. We look forward to seeing how the Final Determination will accommodate this decision.
8. High Speed 2. We welcomed the allocation in the HLOS of £36m from the CP6 Development Fund to help HS2 with project development at physical interfaces with the national network. We hope that this will be sufficient to consider capacity issues on the ECML once HS2 connects to it east of Leeds (paragraph 2.56). We believe that Government should bring HS2 and other strategic rail industry planning together in order to maximise the benefits from this opportunity and we would welcome support for this initiative from the ORR.

SYITA's requests to the ORR for inclusion in the Final Determination:

- A requirement for Network Rail to publish a revised timetable for MML electrification that meets the HLOS requirement, to be delivered in combination with the resignalling and remodelling of Sheffield Midland station, i.e. all schemes to be completed by March 2019;
- Allocation of sufficient funding to Network Rail to deliver the entire Northern Hub package, including full delivery of the Government's specification for the Manchester – Sheffield route;
- Confirmation of the programme for deployment of the additional IEP rolling stock;
- Support for bringing HS2 planning together with other strategic rail industry planning.

Capacity and performance improvements on the Sheffield – Doncaster corridor

The ITA's comments on the SBP sent in February 2013 also referred to concerns about capacity and performance improvements on the Sheffield – Doncaster corridor. Strengthening the connectivity to Meadowhall and to the planned HS2 station from Rotherham and the communities between Rotherham and Doncaster will be important to their economic success, particularly as the area around the proposed HS2 station becomes a focus for development. The two highest priorities in this corridor are addressing reactionary delays at Swinton Junction and dualling Holmes Chord, both in Rotherham. The latter is currently single track with a severe curve alignment, which requires many through passenger services to bypass Rotherham Central Station. This improvement is required to meet the output for better Sheffield and Rotherham connectivity specified in the Yorkshire and Humber RUS, which will not be met through the implementation of the tram-train pilot scheme.

SYITA's request to the ORR for inclusion in the Final Determination: recognition of the importance of addressing reactionary delays at Swinton Junction and dualling Holmes Chord in delivering capacity and performance improvements on the Sheffield – Doncaster corridor.

Additional issues of particular relevance to South Yorkshire

1. Rail Devolution

There is only one direct reference to devolution of franchising in the Draft Determination, in respect of transparency of operational and financial performance (in paragraph 2.48). Authorities in the North (including SYITA) are actively pursuing devolution of management and future specification of the Northern and Transpennine Express franchises and at the beginning of August submitted a business case and proposition for this to Government. A ministerial view on this submission has been promised for November. If devolution proceeds as has been proposed it will be important that rail planning and regulatory processes recognise that there may be further specifiers and funders than there are currently.

Central to the devolution proposition is to ensure the greatest possible value is secured from the financial support that both Northern and Transpennine enjoy and, as part of this, that every opportunity is taken to drive down costs through efficiency savings. To support this activity, it is important that there is visibility of industry costs at the appropriate level. We welcome the disaggregation of costs to a route basis which has taken place to date, but a more granular approach is required. The partners in the devolved franchise will be specifying services and, potentially, infrastructure funding. Hence they will need the necessary management information to be provided at the right level to inform the decision-making processes. As a minimum, there should be the ability to map Network Rail's costs on to the parts of the network over which any devolved franchise operates. At present, Network Rail's route structure does not allow this and change will be needed. More helpfully, the greatest opportunity to secure efficiency savings will come from associating Network Rail costs with individual service groups and using these costs to inform service specification and investment decisions. We would urge ORR to require Network Rail to work to this goal.

SYITA's request to the ORR for inclusion in the Final Determination: ORR and Network Rail to provide visibility of industry costs at the appropriate level to inform the decision-making processes of devolved franchises.

2. Enhancement projects

a) Improving working methods and project management; alignment of incentives

We consider it essential for Network Rail to work more closely with its customers and suppliers on the specification of enhancement projects (paragraphs 2.45 & 46). This should enable the scope of projects to be optimised for best value before completion of the detailed design stage, thereby reducing the costs of improving the network (paragraph 9.28). It will also enable a better match between Network Rail's infrastructure changes and service level changes that operators are trying to deliver. A good example is given in the Draft Determination of matching up the delivery of longer platforms to the introduction of longer trains into the timetable (paragraph 9.23). Customers will expect that this kind of "joined up thinking" should take place as a matter of course, and become naturally frustrated if it does not. Opportunities have also been missed in the past to take advantage of planned renewals to improve capacity or performance at minimal additional cost.

We welcome the closer alignment of incentives for Network Rail and its partners, to encourage them to work together to reduce costs and to make the most of the capacity available (paragraphs 2.45, 2.46 & 19.2). We agree with the ORR that the costs incurred in delivering a service should be better reflected in the charges paid, to encourage more

efficient behaviour and usage of assets. We also agree with the proposals to allow Network Rail and operators to enter into commercial agreements that will reward operators if real cost savings are achieved (paragraph 9.60). This will provide both parties with a powerful incentive to out-perform the base settlement.

We agree with the ORR's intention that milestones should continue to be in place in Network Rail's enhancements delivery plan and that change control mechanisms should be used more broadly (paragraph 9.22). Both of these approaches are widely used in project and programme management. Setting out when each stage of a project will be delivered, and keeping this updated, will help stakeholders such as SYITA to monitor progress. More importantly, it will allow customers to plan their journeys effectively when services are disrupted by investment projects. We note that "ORR expects that robust and transparent governance arrangements will be in place for CP5" (paragraph 9.142) for the ring-fenced funds. ORR should also ensure that the arrangements are fit for purpose and that the bodies charged with oversight of the funds are able to discharge their responsibilities effectively.

b) Nottingham – Sheffield – Barnsley – Leeds line

Whilst we recognise that there are benefits in Network Rail's devolved structure, there will clearly be a number of routes which cross regional boundaries. In these cases, Network Rail needs to ensure there is complete co-operation and co-ordination between the respective business units to ensure that the structure does not become a barrier to implementation. The Initial Industry Plan (published in September 2011) recommended that the Nottingham – Sheffield – Barnsley – Leeds line should be an 'exemplar' scheme for the Passenger Journey Improvement fund (to which £300 million has subsequently been allocated). The route connects three Core Cities (Nottingham, Sheffield and Leeds) which have a combined population of 1.7 million and support 850,000 jobs. Despite being only 80 miles apart, a journey between Leeds and Nottingham takes approximately two hours, with an average train speed of around 40 miles per hour.

The route is strategically important to the three city regions. It has been pump-primed through targeted public support and there is potential for further growth and cost savings if journey times can be reduced. There is a clear opportunity to deliver improvements in CP5 in conjunction with planned track and signalling renewals in the Wakefield area. However, the route spans the London North-eastern and East Midlands regions. We find it difficult to engage with Network Rail to develop a coordinated plan for the service that makes best use of the funding that Network Rail can deploy and that reflects the priority we give to the service. It is essential that Network Rail is able to look at synergies from a package of investment for the whole of the route in order for the potential benefits to be realised for passengers. We believe that this service offers a potential exemplar to demonstrate a coordinated programme of Network Rail investment within its established resources, developed with the operator (and potentially with the limited Local Transport Authority funds which are available) directed to support the service. As part of this we would like to see approaches to sharing the gains amongst all partners explored.

Upgrading the rolling stock used on this service would also increase its attractiveness (particularly to travellers who currently use a car), hence increasing its growth potential and return on investment. We also believe that this corridor should be electrified in CP6, along with Sheffield – Doncaster and Meadowhall – South Kirby Junction. This would maximise the flexibility of electric rolling stock on regional passenger services between Sheffield, Leeds and Doncaster; extend the Electric Spine for freight services to Wakefield Europort and provide an electrified diversionary route for Sheffield – Leeds services via Moorthorpe.

We would welcome a clear recognition from Network Rail of the opportunities presented in CP5 for significant journey time savings along the whole Nottingham – Sheffield – Barnsley – Leeds route and an assurance that it will be considered for funding from the Passenger Journey Improvement fund. We would also welcome early discussions with Network Rail with regard to electrification plans for CP6, and confirmation that planning work will be funded from the CP6 Development Fund. We ask the ORR to ensure that the devolved structure within Network Rail does not hinder cooperation between the Route teams to address problems which cross regional boundaries.

SYITA's request to the ORR for inclusion in the Final Determination: to ensure that the proposed changes with respect to enhancement projects incentivise more efficient behaviour and usage of assets; and to ensure projects are delivered seamlessly irrespective of route boundaries

c) Rotherham Central Station

Our experience in promoting the enhancement of Rotherham Central is a valuable case in point about third party sponsored enhancements which we would like ORR to consider as it produces its Final Determination.

The £10.4 million project was managed by SYPTE, delivered in partnership with Rotherham Metropolitan Borough Council, Network Rail and Northern Rail. Funding for the project came from a number of different sources including Yorkshire Forward, European Regional Development Fund, DfT Access for All and the South Yorkshire Local Transport Plan partnership. SYPTE let the building contract on a Design and Build basis and entered separately into an Asset Protection Agreement (APA) with Network Rail. The redeveloped station (officially re-opened in May 2012) offers enhanced passenger facilities and capacity for growth. Passenger feedback has been very positive and patronage is increasing above the level of that at other stations in South Yorkshire. However, the project ran into serious difficulties during the construction phase, resulting in an overall delay to completion of 17 months and costs very significantly increased from the forecast at contract award. Network Rail contributed to a post contract review which produced a 'lessons learned' report. We believe that the recommendations of this report should be of interest to the ORR, particularly given the recognition in the Draft Determination to align incentives between Network Rail and other parties. A separate meeting has been arranged with the ORR to discuss the following in detail.

- SYPTE believes that the Asset Protection Agreement is better suited for working adjacent to the railway rather than on it, protecting rather than enhancing the asset;
- It is recommended for future projects that Network Rail should explore with the third party investor all potential governance and contracting arrangements for investment in the railway by a third party. It is envisaged that this will provide greater clarity for third party investment at the outset and improve Network Rail's approach to stakeholder management;
- It is recommended that a clear structure and timeframe should be established at the start of the approvals process with Network Rail, the contractor and the client.

3. Safety

We welcome Network Rail's development of a level crossing risk reduction plan to reduce the safety risk posed by level crossings, and the establishment of a ring-fenced fund to enable this to be delivered (paragraphs 11.50 & 51). There are over 20 level crossings in South Yorkshire, several of which have experienced serious accidents in recent years.

SYITA's request to the ORR for inclusion in the Final Determination: to oversee Network Rail's plans for level crossings to achieve the best reduction in risk.

4. Performance

We welcome adoption of the target of a 92.5% average in the Public Performance Measure (PPM) for trains 'on time' by 2019. We agree that the emphasis in respect of PPM should be on improving the worst performing routes. Of the TOCs serving South Yorkshire, only East Midlands Trains has a consistent PPM at the 92.5% level and while we recognise that only a proportion of all delays are directly attributable to Network Rail, the conclusion should be that in CP5 Network Rail should have a focus on mitigating its contribution to the poor PPM performance of Northern and Transpennine in particular. We would like to see this reflected in the Final Determination.

We agree that the Cancellations and Significant Lateness (CaSL) measure of punctuality and reliability should be no more than 2.2% by 2019. We also welcome the setting of PPM and CaSL outputs by TOC, rather than at the level of Network Rail's devolved route structure. In the last National Passenger Survey (Spring 2013), Northern Rail received the lowest rating for overall satisfaction of 76%. Like ORR, we regard passenger satisfaction (paragraph 3.162) as a key performance measure and so welcome its inclusion in ORR's indicator framework.

SYITA's request to the ORR for inclusion in the Final Determination: that Network Rail should focus in CP5 on improving the worst performing routes and in particular on mitigating its contribution to the poor PPM performance of Northern and Transpennine.

5. Environmental reporting

We welcome Network Rail's plans to improve on the monitoring, reporting and forecasting of carbon emissions and other carbon impacts (paragraphs 3.133 to 3.141). The substantial investment in electrification in CP5 will reduce emissions of both carbon products and harmful exhaust gases along the rail lines. However, it is important that any calculation of whole life carbon impacts take into account the methods used for electricity generation, as well as measurements of embedded carbon.

SYITA's request to the ORR for inclusion in the Final Determination: to monitor the delivery of Network Rail plans to ensure environmental reporting is relevant, accurate and reliable.

6. Journey time indicator

We agree with the ORR that performance improvements must not be achieved at the expense of journey times. We welcome moves to develop a journey time indicator (paragraphs 3.164 to 3.167) and agree that this should be linked to improvement funds.

SYITA's request to the ORR for inclusion in the Final Determination: to ensure the development of an effective journey time metric.