

## Office of Rail and Road (ORR)

Who are an independent regulator, ORR operates within the framework set by UK and EU legislation and is accountable through Parliament and the courts.

### System operation – a consultation on making better use of the railway network

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This consultation looks at how Network Rail operates the rail network and how decisions by both Network Rail and others are made about the use of this network and its expansion over time, this known as “system operation”.

This consultation will inform the ORR’s preparation for the next five yearly review to determine what is required of Network Rail between 2019 and 2024 (PR18). The timeframe by which the next Wales and Borders Franchise will operate.

System operation plays a significant role in determining how well the railway delivers for passengers, freight customers and train operators and those funding both the network and train services. The ORR has set out a summary of the outcomes which they think a good system operation should help to achieve.

These are the outcomes at ORR would want to see from a good system operation:-

<p><b>Continued safe operation</b> The safe operation of the network is maintained and disruption and unexpected events are managed in a safe and effective manner.</p>	<p><b>Getting more from the network</b> Customers get what they want out of the network in terms of reliability, journey times and minimal interchange.</p>
<p><b>Choosing the right investment</b> Decisions to expand the network are well-informed and costs are kept at an efficient level.</p>	<p><b>The right services use the network</b> Network availability is maximised both for today’s use and over the longer term, while capacity is allocated between train operators in a fair, economic and effective way.</p>
<p><b>Making the right trade-offs</b> The right decisions are made between increasing use, improving punctuality and reliability and keeping costs down.</p>	<p><b>Helping train operators to deliver</b> Train operators receive the level of network performance they need to deliver for their passengers and freight customers.</p>

The target audience for this consultation is all users of the network (such as train and freight operating companies and passengers and their representative groups), funders (including governments and taxpayers), Network Rail and other infrastructure managers, and other interested stakeholders.





The consultation looks at how Network Rail operates the rail network and how decisions by Network Rail and others are made about the use of this network and its expansion over time. Which will inform the ORR's preparation for the next periodic review (Periodic Review (PR) 2018), which will begin next year.

In order to achieve the outcomes that the ORR have identified will need to be trade-offs, and therefore it's important for the TraCC Region and the Cambrian Main, Cambrian Coast, and the Heart of Wales Lines are not disadvantaged and prevented from achieving growth over the coming years because we become the trade-off.

In last 10 years the UK has seen a 60% growth in passenger journeys and 10% in freight and with the growth expected on the Cambrian lines to be 21% by 2023 and 78% by 2043, our lines will be competing against other growth areas. For example the West Midlands Integrated Transport Authority is currently out to consultation (27th July to 16<sup>th</sup> October 2015) on their Strategic Transport Plan. They are planning to increase capacity of for movements in and around Birmingham and will need to utilise the sections of the railway line that is currently used by the Cambrian Lines to access Birmingham International. The Welsh franchise would be competing against operators who currently use the line London Midland, Virgin Trains West Coast and Cross Country, as well as any additional operator that HS2 needs to accommodate, as part of their growth strategy.

The scope of the 'operation functions' that Network Rail undertakes also accounts for the setting of the strategic direction for the railway and is usually influenced by Government. The identification of need for rolling stock and the scale and nature of franchising falls to Network rail to identify and these decisions are supported by identifying new operating practices or technologies like the Cambrian Line's "European Railway Traffic Management System" (ERTMS) and safety standards. Therefore there is much balancing taking place within the industry in order to run a service.

Currently the measurable outputs are performance and cost based, but capacity is not currently a consideration and therefore when decisions are based upon cost alone our Lines losses out. However, if the evaluation of cost was greater than just pounds shillings and pence and instead included a wider evaluation that included economic growth, access to services, reducing poverty, delivering sustainability, model shift etc., could strengthen our regions ability to attract and retain our through connections.

<http://orr.gov.uk/consultations/policy-consultations/open-consultations/system-operation-consultation>

Consultation Questions:-

### **Consultation question 1**

69.As discussed in section 2, to deliver good system operation, we think system operation involves these functions:

- Developing proposals for changes to the network;
- Choosing projects for changes to the network;



- Determining capacity from the physical network;
- Allocating capacity (including to possessions) and performance; and
- Operating the system (including at the route level) enabling services to run.

70. What are your views on the functions we have mapped out, and their ability to facilitate delivery of the system operation outcomes? Do you think we have missed any key functions of system operation?

1a) We agree with the functions you have outlined. Our comments below necessarily focus on our experiences of working with Network Rail to achieve infrastructure and service enhancements to the network.

1b) In developing proposals for changes to the network and choosing projects for such changes we believe that the key test should be what do the public want and how can demands for network and service enhancements be delivered? There needs to be consideration of what changes to process are required to achieve this

1c) The present system works on the principle that if a change proposal fails a stage of the Network Rail Group Railway Investment Process (GRIP) then it is rejected. We suggest that GRIP is highly aligned to capital investment interventions rather than approaching change proposals in the spirit of *'how can we change and adapt what we currently do / have in order to deliver as economically as possible?'*

1d) There are often conflicting and/or competing priorities raised by different organisations involved in the 'system operations' process for network change. Organisations may have different views on what they perceive to be economically and operationally effective, a priority and a public good. These views may reflect institutional factors and may not necessarily produce proposals for interventions focussed upon what the public wants, or how to deliver them as economically as possible. Consequently we suggest that a major test of proposals and the industry's response to them should be public demand for them, the aim being to deliver an accessible railway that connects people and freight to places as fast and safely as possible.

### **Consultation question 2**

71. As discussed in section 3, through our work on system operation we want to improve how the railway meets the current and future needs of passengers, freight customers and funders. We think a greater focus on system operation can improve outcomes in six areas:

- Continued safe operation;
- Choosing the right investment;
- Making the right trade-offs;
- The right services using the network;



- Helping train operators to deliver; and
- Choosing the right investment.

72. What are your views on the outcomes of good system operation that we have set out in this consultation?

2a) Whilst we are in broad agreement with the outcomes, three of which a) 'Continued safe operation,' d) 'Getting more from the Network' and f) 'Helping train operators to deliver' are uncontroversial. However, we have concerns that possible interpretations of outcomes b) 'Choosing the right investment,' c) 'Making the right trade-offs' and e) 'The right services use the Network' may pose a threat to Wales & Borders franchise services accessing core British conurbations such as the West Midlands and Greater Manchester. These concerns inform our comments below.

2b) In last 10 years the British rail network has seen a 60% growth in passenger journeys and 10% in freight. The growth expected on the mid Wales Cambrian lines is forecast to be 21% by 2023 and 78% by 2043. Consequently Cambrian services will be competing against rail growth in adjacent areas. For example the West Midlands Integrated Transport Authority (WMITA) is currently consulting on its Strategic Transport Plan prompted by the UK Government's rail devolution plans for the English regions. WMITA is planning to increase urban services in and around Wolverhampton, Birmingham and Coventry. It is very possible that some of these will utilise rail path capacity currently used by Cambrian services to access Birmingham International, or even potentially Birmingham New Street. Consequently the Wales & Borders franchise would be competing for capacity against the other operators currently use these lines.

2b) Our concern is that under certain interpretations of outcomes b) 'Choosing the right investment,' c) 'Making the right trade-offs' and e) 'The right services use the Network' the needs of the Wales & Borders franchise operator will be considered to be marginal in relation to the growth strategies of other operators. It is essential for the economic and social development of the mid Wales region that Cambrian and Heart of Wales lines services are not disadvantaged in favour of the high volume operators Virgin West Coast Trains, Arriva Cross Country and London Midland, which operate between and into the main West Coast Main Line centres of population. Welsh services through to the West Midlands and Greater Manchester must not be prevented from achieving growth over the coming years through 'trading-off.' Failure to ensure growth would have gravely deleterious effects on the economic development of our region which is always struggling because of its relative remoteness, deep rurality and poor transport infrastructure. Conversely, such an outcome would also impact adversely on people in the English conurbations who rely on good connectivity to destinations west of Shrewsbury for social and recreational reasons.



2c) Currently cost benefit analyses for projects, such as the Welsh Government's WelTAG process, do incorporate an element of consideration of socio-economic benefits and we appreciate that the 'monetisation' of these factors is complicated. However, we expect that progress will continue to be made in this area in the future. Current measurable rail outputs are performance and cost based. Capacity is not currently a consideration, we think this is anomalous since the capacity, performance, and cost of the Network are all inter-related with each other. In addition when decisions are based upon output factors of performance and cost alone the mid Wales lines, with their relatively sparse services, low customer bases and high infrastructure costs, must inevitably lose out in favour of corridors on which rail can demonstrate its unassailable advantages, namely high volume and high speed inter-city passenger and freight movements, and high volume frequent urban services. However, if the investment process was wider than the concentration on the profit - loss nexus, and instead was able to better evaluate factors such as economic growth, access to services, reducing poverty, delivering sustainability, model shift etc. then our region, and others like it, could make a better case for retaining and developing through connections to the British urban core.

### **Consultation question 3**

73. Can you give us any examples, based on your experience, where these functions improve outcomes?

74. This could include examples of when system operation has helped you in running your business and delivering for your customers. Please also feel free to highlight any areas where you think system operation could help you in the future.

3a) Over the years the mid Wales local authorities have interacted with Network Rail When trying to take forward new projects for infrastructure improvements, such as level crossing replacements, improved line capacity, station enhancements, and inter-modal interchanges. Some of our experiences have been very positive but other less so.

3b) We feel that Network Rail sometimes presents a range of different personnel who have the ability to veto a project within their area of responsibility. There is currently no mechanism to challenge such decisions against delivering a project and we doubt that, particularly in the case of schemes originating outside of NR, that NR's project sponsors have sufficient traction to challenge objections from their own technical specialists.

3c) The ethos of the organisation needs to change from being resistant to change, often with a default position of saying 'no,' to responding in a more creative and positive way. This would include the early mapping out of how to



achieve the delivery of the project, and what amendments and information are required to achieve a delivery of project. In cases where it is not possible to achieve proposed network changes Network Rail need to be less defensive in explaining exactly what the issues are preventing change, and whether these factors are short, medium or long-term. This would greatly assist local authority officers in explaining why a change is not possible to elected members, who may have a political interest in its implementation.

#### **Consultation question 4**

75. To regulate and incentivise Network Rail, we use a range of tools, such as regulating and monitoring Network Rail against certain outcomes and providing for a charging regime that should encourage economic and efficient behaviour by all users.

76. Do you have any views on what the desired outcomes and functions associated with system operation might mean for the regulation and incentivise of network system operation?

77. Please highlight any particular areas where you think a different approach to regulation or incentivisation of system operation could help you better run your business in the future, and why.

We feel that the way in which incentives are written into a Network Rail's license results in their business operation model being constantly focused on NOT receiving financial penalties and putting avoiding existing risks above than resolving them, rather than working collectively with an aim of delivering what the public want.

For example, mid Wales local authorities made a request to improve access to a remote railway station where trains operate at low speed in order to use a passing loop. This would have involved upgrading a redundant barrow crossing and Network Rail's immediate response was to say 'no.' They would not allow increased access to the station via a barrow crossing which could be re-risk assessed and appropriate interventions devised to make its use acceptable. As a result the project was rejected, access to the network was restricted, risk remained on an already 'medium to high risk' section of the Welsh trunk road system, and pressure on a nearby congested road/rail hub station was not relieved.

It is our belief that instead of rejecting the proposal outright that Network Rail should have outlined the interventions that were required to achieve a risk as 'low as practically possible' and allowed the local authorities to make a judgement on how these could be made affordable.

On behalf of the Mid Wales Transportation (TraCC)

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