ORR System Operation

By e-mail

Your ref:

Our ref:

Date:
16 October 2015

Many thanks for the opportunity to consider your consultation on *'System operation: A consultation on making better use of the railway network'.* I would also reflect that I found the stakeholders session very useful. In particular, I found the format – breakout sessions with feedback – very conducive to free and frank discussions.

In responding, I will offer a few general points, before moving onto address the specific questions in the document.

- The Scottish Government has clear devolved responsibilities for the specification and funding of rail infrastructure and services in Scotland and priorities for the railways which may be distinct from England and Wales. Accordingly, there may be circumstances where separate or special provisions should apply. Network Rail's Sale of Access Rights policy and the concessions made for its application in Scotland is a recent example of this.

- The Scottish Government believe that a more integrated approach across the whole industry in Scotland is in the best interests of the railways. This is reflected in the ScotRail Alliance which has brought together Abellio ScotRail and Network Rail Scotland to work as one organisation to support the delivery of better, more reliable passenger services and a more efficient management and operation of the rail network in Scotland. The Scottish Government would support the further devolution of functions and responsibilities to the Scotland route unless there was a clear, compelling case to retain central (system operator) control.

- We are in the lead up to the next periodic review and in a time where at least some change in railway structures and funding would appear to be inevitable. There is therefore a significant opportunity for the industry to take an in-depth look at the system operator functions, with a focus on greater innovation, improved efficiency and, most importantly, better quality services for rail users.

- The focus towards system operation tends to be driven by fact that GB is an island, a single conventional rail network works within this and is therefore managed accordingly. This is an overly simplistic position when compared across Europe and beyond.

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- The systems operator role has both a spatial and sectoral dynamic to it, which may not in all circumstances benefit from a consistent approach across the whole GB network. The right approach has to balance the differing needs of ensuring an alignment of the system operator functions and local priorities while protecting the position of both freight and passenger services which operate across a number of routes.

- The rail industry as a whole has to take a shared responsibility for ensuring the right systems operator arrangements are in place and that they continue to deliver the optimum delivery of capacity, performance, and journey times both within individual routes and across the network. This is not a space where we would expect to see additional regulation, but rather a joint effort to ensure a flow of timely information to support the delivery of pragmatic solutions for the benefit of rail users.

- There has been a wide range of views on what the term 'system operator' means. A fairly common perception has been that it relates to the 'central' or 'HQ' functions carried out by Network Rail. Therefore a key outcome from this work should be a shared and common understanding of what is meant by the term, who is responsible for what and where the key interfaces lie. Clearly the efficient delivery of a rail network and realisation of its benefits can be achieved in a number of ways.

- In our recent engagement with stakeholders towards our consultation on rail freight in Scotland, a common theme which emerged was that customers are often 'put off' using rail as a result of perceptions of complexity. This is a view we have heard before, not just in relation to freight, and the flowchart in figure 7 of the consultation document adds weight to this. Therefore a key outcome of this work should be an in–depth consideration of how the system can be made simpler. In particular, the interface between the systems operator functions and rail users, customers, potential investors and funders should be straight-forward.

Turning now to the specific questions included in the consultation document:

Question 1

The functions as mapped out broadly cover all of the areas which are necessary to have a fully functioning railway system. This could be strengthened by identifying a joint approach to ensuring the smooth operation of the systems operator and where the key interfaces lie.

What is not addressed within the consultation document is whether the systems operator functions should be carried out at a local or national level. In particular, the centralised or HQ functions of Network Rail, such as timetabling, planning and capacity utilisation.

It is our strong view that these functions could be more effectively carried out if they were fully devolved to the Scottish route. This would enable tailored and therefore more effective and timely responses to network issues, reached in full collaboration with operators on the Scottish network. It would also help to ensure that there was no misalignment between local and national priorities, which can tend to be the case under the current arrangements and to the detriment of local rail services. We have a body of evidence to support this position, and would be more than happy to share this with the ORR to help shape deliberations.

There is also recognition that the position of freight and passenger services which operate across the GB network should be fully protected. In particular, there are a range of good examples where a coordinated approach has helped to mitigate the worse effects of network disruption. However a system of good and timely communication between system operator

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functions and routes, alongside a shared desire to reach the best outcome for rail users, would be just as, if not, more effective than a highly centralised approach.

What the consultation does not pick up to any great extent is where there is considerable scope for collaboration across the system operator functions. So while recognising commercial matters and regulatory requirements, intuitively there would be opportunities for Network Rail to work closely with TOCs and FOCs in areas such as identifying and utilising network capacity. This could be particular effective where systems operator functions are localised.

Question 2

The outcomes of good systems operation should be optimum quality and efficiency for the users of passengers and freight services. In Scotland, we would expect a very clear correlation between the outputs from the system and the delivery of the broader social and economic priorities of the Scottish Government, who provide the bulk of funding for rail services in Scotland. As indicated in my general observations, these priorities may be distinct from those in England and Wales.

In terms of the six outcomes listed, I would add the following:

- Simplicity – systems operation should be as simple as possible, in particular how it engages with the users of the railway.

- Growth – good systems operation can as a minimum facilitate, but ideally encourage growth in the use of rail services.

- Effectiveness of the interfaces – that each function within the systems operator is not working in isolation, but has an effective interface with the other functions at local and national level to deliver the most effective outcome for rail users.

Question 3

There were examples given at the stakeholder workshop where a network wide collaborative approach can help to mitigate issues such as network disruption and can help to maximise network utilisation where services are working across route boundaries. However, as outlined above, this can be achieved through a good system of communication and shared goals.

Areas which tend to benefit from a network wide approach include safety and the development and roll out of new technology.

Question 4

The often negative impact of regulatory incentives on efficient and effective railway operations requires a far more forensic examination than is afforded in this consultation. However, I would offer the following observations:

- Good systems operation is primarily a matter of effective communication, shared goals and aspirations and a genuine desire to do the 'right thing' for rail users. It would not benefit from overly complex or burdensome regulation.

- Monitoring the on-going effectiveness of the systems operator and its development as a concept should be a matter for the industry working in collaboration at local and national level.

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- Any regulatory framework should be flexible enough to enable a differing approach either on the basis of meeting local needs or those of a specific sector of the industry. A one-size fits all approach across the network will only serve to constrain and stifle innovation and collaboration.

I hope that this response is useful, and please feel free to contact me if you wish to discuss any aspect of it.

Yours sincerely

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