

## **Network Rail Strategic Business Plan**

### **Comments from Rail Freight Group**

**February 2013**

1. Rail Freight Group (RFG) is pleased to comment on Network Rail's (NR's) Strategic Business Plan (SBP). We apologise for the late submission of these comments. They may be placed on the website in full.

#### ***General Comments***

2. The SBP is a complex document, and we recognise that there has been considerable effort from NR in both producing the document, and in the underlying analysis. As a basis for the dialogue between ORR and NR, the SBP would appear to be a comprehensive document. For the wider industry, the complexity and size of the SBP does make it more difficult to analyse and comment on. In producing our response, we have not been able to prioritise scrutiny of all sections of SBP, and our comments are therefore mainly focussed around the main documents for England and Wales, and Scotland, and the higher level enhancement plan.
3. For the rail freight industry, NR's plans are of course critical in delivering successful growth in the next control period. The Freight Team within NR are making good progress in a number of areas. For future documents, it may be worth considering whether a freight plan should be produced alongside the route plans to demonstrate the work which is proposed, and give a central focus for freight industry analysis and comment.
4. We have not, in commenting on this plan, made particular reference to freight charges and the on-going work, and concerns relating to this. However, we would expect that NR and ORR will seek to satisfy themselves that there is alignment with between the conclusions on freight charging, and the desired industry outputs, both in respect of financing and also in incentives and behaviour. Presently there remains considerable misalignment in some areas, particularly around the incentives on the freight industry.

#### ***Network Rail and Industry Structure***

5. We note that this is the first SBP post NR devolution and since alliancing was first introduced. We would expect ORR to particularly scrutinise the cost savings which have been delivered, and are expected to be delivered as a consequence of these measures, and also whether the expected improvement in outputs is being produced.
6. The SBP makes reference (p24 E&W plan) to the development of a system operator role, and we would expect ORR to ensure that this is developed quickly and satisfactorily. It is particularly important for freight that this is established,

as network wide planning, particularly of access and maintenance strategies, is key. The work on developing Strategic Freight Corridors is also particularly important, and should be supported and developed.

7. We are concerned (and see enhancements below) that the devolution of enhancement projects to the routes does not have sufficient safeguards in place for end to end schemes which span multiple routes. For example, the F2N project involves work in 4 different routes. NR need to implement a sufficiently strong management structure to ensure that the corridor outputs are protected as each route value manages their elements of the enhancement programme.
8. Similar consideration is also needed to ensure that capacity which is created on the corridor through the enhancement work remains useable on an end to end basis. We note the revised Event Steering Group process, and the proposed Sale of Access Rights Panel, and it will be vital that this balances short and medium term requirements, and tactical and strategic needs appropriately. This is an area where we would expect ORR to take a strong interest.

### ***Costs and Efficiencies, and Charging Structures***

9. We note that NR has made good progress on efficiency during CP4, particularly in operations and maintenance. We expect ORR will be scrutinising outturn performance and future plans to satisfy themselves over the savings stated.
10. We are concerned that there does not appear to be a similar efficiency saving in renewals, or in enhancements, and we would expect ORR to look in detail at these areas.
11. For freight operators, NR efficiency savings have historically helped to reduce the access charges paid. In CP5, this is now unlikely to occur, and the incentive on freight operators to work with NR on efficiencies is therefore weakened. It will therefore be vital that the freight sector and NR are encouraged to work together on delivering efficiency savings which are of benefit to all parties.
12. We would particularly support a focus from NR (which is already emerging in the freight team) to look at how NR's actions can help improve rail freight operator and customer efficiencies, for example in improving turnaround times, increasing average speed etc.
13. The proposed work on future charging structures will be particularly critical for the rail freight, for delivering efficiency, and creating long term confidence in the sector, particularly among business users and investors. We have already commented on this in our response to the Volume Incentive.

## **Structures**

14. We note the discussion on the need for additional funding for structures, and expect ORR will be looking at this in detail. RFG is not sufficiently expert to comment.
15. However, we observe that in the initial work on variable access charges, NR's analysis appeared to suggest that certain types of freight traffic were increasing structures costs. We would expect ORR to consider this in light of the analysis in SBP suggesting that historic under investment in structures is leading to deterioration. This suggests that the increase in freight charge may in fact be, in part at least, due to inefficient maintenance of the network. This may need to be assessed.
16. As we have previously stated, we would expect NR and ORR to give clear long term signals to the rail freight operators and supply industry on the nature of freight traffic and equipment which they wish to incentivise. Any additional funding for structures should be used to ensure that, amongst other factors, the long term freight charges is as low and efficient as possible.

## **Outputs**

17. We have commented previously on the proposed CP5 output framework.
18. ORR may wish to consider how the proposals for trade offs at a local level can be delivered in a suitable national framework. For freight services, changes to timetables in one area (for example) can have knock on impacts across the network. The balance between devolved routes, and national operators again needs to be taken into account.

## **Engineering Access**

19. We note that the discussion on engineering access is seen as a key area for cost savings. The interface with freight operators is critical in delivering this, particularly where extended overnight possessions impact on freight services, and also, where NDS rely on freight operators to provide necessary support, in ensuring the most efficient price can be delivered.
20. We are not yet convinced that there has been sufficient engagement with freight operators on these proposals and their impacts, particularly at a route level. Good progress has been made by the industry and NR freight team on the freight JNAP, but this needs to be progressed further within the routes. The alignment of diversionary routes between NR routes is critical.
21. This area must not be seen as scheduling choice between overnight and weekends possessions, but as a way of achieving NR's objectives with the minimum disruption to commercial freight. The SFN investment in diversionary

routes should help, if properly used, and this concept extended elsewhere.

### ***Enhancements and Route Plans***

22. RFG welcomed last summer's HLOS's and the confirmation of funding which is to the future benefit of freight. We support their inclusion in SBP, as presented. These include;
  - a. Strategic Freight Network funds for England and Wales, and Scotland
  - b. Enhancements in support of the F2N corridor at Ely, Peterborough and Leicester
  - c. Electric Spine
  - d. Enhancements on the East Coast
23. We note that the development work for some of these projects, particularly Electric Spine, is at a very early stage, and this is reflected in the cost estimates provided. Any decisions on funding must be cognisant of this, and the potential for outturn costs to be significantly lower.
24. RFG has supported the development of candidate schemes for the SFN funds for CP5. However, as these are provided as funds, there must be flexibility to amend the scheme list. Options to fund efficiency improvements, and around infrastructure for biomass may be candidates as well as those schemes previously identified.
25. As above, we remain concerned that NR has not put in place sufficient governance around projects which are devolved to the Routes, but form part of a freight corridor. This is particularly important for F2N and likely to be similar for Electric Spine. This should be addressed.
26. For electrification schemes, it will be important that the scope includes provision for normal freight diversions, appropriate access to freight terminals and yards, and links to other routes. For example, on page 53 of the enhancement plan, options to add onto to MML electrification are shown, and the opportunity to encourage freight electric traction by including those routes used by freight traffic should not be missed.
27. We also note that Gospel Oak to Barking electrification is not included, which will be important for traffic from London Gateway, alongside the passenger benefits. Although the W10 diversionary route via Kew is not funded beyond the current GRIP stage, we understand that it is referenced in several route plans, and we would urge for its consideration as CP5 scheme.
28. Although we have not read all the route plans, we are concerned to ensure that they are consistent with each other regarding proposals which affect freight including enhancements, possession strategies and other proposals.