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Consultation response

## **Shaw Report scoping study**

**December 2015**

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Urban Transport Group  
Wellington House  
40-50 Wellington Street  
Leeds – LS1 2DE  
0113 251 7445  
[info@pteg.net](mailto:info@pteg.net)

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## 1. Introduction

- 1.1. The Urban Transport Group (UTG) represents the seven largest city region strategic transport bodies<sup>1</sup> (PTEs) in England, which, between them, serve over twenty million people in Greater Manchester, London, the Liverpool City Region, the North East Combined Authority area, South Yorkshire, the West Midlands conurbation and West Yorkshire. Nottingham City Council, the West of England Partnership and Strathclyde Partnership for Transport (SPT) are associate members of the UTG. Our members plan, procure, provide and promote public transport in some of Britain's largest city regions, with the aim of delivering integrated public transport networks accessible to all.
- 1.2. Transport for London has only very recently become a full member of the UTG and this response does not necessarily represent its views.
- 1.3. The UTG has long campaigned for greater devolution of rail powers as a means of achieving higher levels of investment and of ensuring that available funding is spent in the most effective ways to support city region economies. In 2010, we commissioned consultants Atkins to look at the case for greater devolution of rail powers to PTEs and to set out options for implementing this in practice<sup>2</sup>. The findings from the report remain relevant today and are recommended reading.
- 1.4. Based on experience from the UK (London, Scotland, Wales and Merseyside) and Europe, the report shows that devolution delivers better outcomes for passengers:
  - rail is given greater priority, with stronger incentives and influence on network and service operators to acknowledge local priorities, maximise performance and deliver a better service for passengers;
  - investment levels rise, for example, in terms of rolling stock, new or enhanced stations or promotion of re-opened or upgraded lines to cater for, or foster, increased passenger demand;
  - operational performance rises, level of service improves, feeding into higher customer satisfaction; and
  - decision making is more fully integrated across modes and policy objectives, including capital investment, integrated fares and ticketing and branding
- 1.5. The 2010 McNulty Review largely agreed that there can be significant benefits from devolved funding, specification and management of local rail services. Our members have since been making good progress towards devolution of rail franchising powers in the North and in the West Midlands, building on the successful examples of Merseyside, London and Scotland. The recently awarded Northern and Trans-Pennine franchises are being managed through a formal Partnership between the Department for Transport and Rail North, a body which represents 29 Local Transport Authorities<sup>3</sup>. A broadly similar model is being pursued in the

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<sup>1</sup> With the exception of Transport for London, these bodies were formally known as Passenger Transport Executives (PTEs) and the UTG was previously known as the Passenger Transport Executive Group. In recent years, some PTEs have been abolished with their functions transferred onto successor bodies, such as Combined Authorities. The new name for our group reflects these changes.

<sup>2</sup> Atkins (2010), Enhancing the PTE Role on Rail in the City Regions, report to pteg. Available from: <http://www.pteg.net/resources/types/reports/enhancing-pte-role-rail-city-regions>

<sup>3</sup> For more information, please see <http://www.railnorth.org/governance/rail-north-dft-partnership/>

West Midlands<sup>4</sup>. In parallel, the Government has recently established Transport for the North as a statutory body responsible for prioritising strategic transport investment priorities across the North of England. It is expected that a similar body will be set up to cover the majority of the Midlands, currently under the banner of Midlands Connect.

- 1.6. The continuing devolution of rail franchising powers will result in our members having a greater financial stake in the running of the railways. As such we have an extremely keen interest in getting more out of the railway infrastructure, in reducing whole-industry costs and in putting the industry on a more sustainable financial footing. The Shaw Report could have an important bearing on these outcomes and we therefore welcome the opportunity to respond to the findings of its scoping study.
- 1.7. We understand that some of our members, as well as Rail North and Transport for the North, are providing their own evidence to this consultation and we have worked closely together on our responses. In this response, we have focussed on issues of common concern to city region transport authorities.
- 1.8. In order to avoid unnecessary repetition, we have structured our response around the key headings in the scoping report rather than the 29 individual questions set out in the document. However, we trust that it is reasonably clear which questions each part of our response pertains to.

## **2. Network Rail's structure**

### **General comments**

- 2.1. We believe that the scoping report has done a good job of highlighting the range of challenges and constraints facing the provision of rail infrastructure in Great Britain.
- 2.2. On the other hand, we feel that the remit for this work has perhaps been set too narrowly by focussing exclusively on the future of Network Rail rather than the future of rail infrastructure provision or the future structure of the British rail network. Many of the questions which the review is looking into are about the degree of vertical and horizontal integration across the rail industry as a whole and, in particular, on the location of interfaces between different functions and organisations. The risk of focussing narrowly on Network Rail is that some potentially effective solutions may be overlooked.

### **What Network Rail does – scope of functions**

- 2.3. We agree that it is useful, for the purpose of this sort of exercise, to develop some way of grouping the functions performed by Network Rail into a manageable number of categories. But in doing so, it is important not to lose sight of the fact that any such categorisation is largely arbitrary and can influence the conclusions reached. In particular, we would point to our previous work on rail infrastructure costs<sup>5</sup>, which shows that alternative cost allocation approaches can lead to very different conclusions on the economic performance of different parts of the network. While the scoping study seems to recognise this point, this could perhaps be brought out more clearly in the final report.

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<sup>4</sup> For more information, please see <http://www.westmidlandsrail.com/>

<sup>5</sup> pteg (2014), A heavy load to bear: towards a fairer allocation of rail infrastructure costs for regional rail. Available: <http://www.pteg.net/resources/types/reports/heavy-load-bear-towards-fairer-allocation-rail-industry-costs-regional-rail>

- 2.4. In addition, we feel that it is important to emphasise the inter-dependencies between the different functions performed by both Network Rail and by other organisations. In many cases, there are important externalities at play. A clearer understanding of these should be key in deciding where interfaces and organisational boundaries are best placed. For example, delays to electrification projects can have a big negative impact on the financial and operational performance of train operating companies (TOCs). Much of this has a direct knock-on impact on public funders/commissioners of train services, passengers and, ultimately local economies<sup>6</sup>. Yet, electrification is essentially seen at present as an infrastructure project, with virtually no accountability to TOCs, to specifiers and funders of train services or to local economic and political stakeholders.
- 2.5. Addressing such externalities was a major focus of the McNulty report, which called for greater vertical alignment of incentives between train operations and the infrastructure provider. The final Shaw report could perhaps do more to map out these effects in relation to Network Rail's functions.
- 2.6. More generally, we think that a greater focus on whole industry life-cycle costs and on the wider economic and social value delivered by rail networks would ultimately lead to more robust and effective recommendations.

## How Network Rail is organised

### Route geography

- 2.7. We would agree that the devolution of some of Network Rail's functions to Route Directors has introduced a greater degree of customer focus and accountability. We also believe that greater transparency over the operational and financial performance of Routes would enable a greater degree of benchmarking, which would in turn lead to greater accountability, better aligned incentives and improved efficiency. However, there are, in our view, important unresolved questions over the right geography and governance<sup>7</sup> arrangements for Network Rail's different business units.
- 2.8. Fundamentally, Network Rail's current Route geography is a very poor fit with the local political and economic bodies in England to whom powers over rail franchising and strategic investment decisions are being devolved<sup>8</sup>. This is a point which we have consistently conveyed to the Office of Road and Rail (formerly Office of Rail Regulation) as part of the 2013 Periodic Review.
- 2.9. Our concerns over the current Route structure is illustrated in Figure 5 of the scoping report, which shows the underlying focus of NR routes to be long distance inter-city corridors radiating from London, rather than the regional or commuter markets which actually account for the vast majority of rail passengers<sup>9</sup>.

<sup>6</sup> TOCs and local specifiers/funders of train services often also invest in third party enhancements, such as new or improved stations, the benefits of which are dependent on the core electrification scheme. Late or rescheduled infrastructure enhancements can also result in significant delays to urgently needed improvements for passengers such as better train service patterns or additional train capacity provision and, ultimately have a negative impact on local economies.

<sup>7</sup> The issue of accountability is addressed later on in our response.

<sup>8</sup> This includes Rail North, West Midlands Rail (rail franchising), Transport for the North and Midlands Connect (strategic transport investment).

<sup>9</sup> Our recent report 'Destination Growth – the case for regional railways' points out that regional train operators outside London and the South East carry 2.7 times the number of passengers as inter-city

- 2.10. Although Route geography is only one of the factors driving NR's behaviour and its relationship with stakeholders, one would expect the current structure to provide strong incentives on Route managers to prioritise the interests of London-bound inter-city operators over the more fragmented interests of other train operators and of city region transport authorities. But even if there were no hard incentives at play, one would expect the issue of limited management bandwidth, recognised in the scoping report, to lead to a similar outcome.
- 2.11. For these reasons, we would like to see a future geography of rail infrastructure business units that aligned much more closely with the political devolution of transport funding and powers. Whilst there is a range of views amongst our members on how this could be implemented in practice, there is strong support for the idea of a Northern Route, which mapped onto the two franchises managed by Rail North and with the geography of Transport for the North. In the Midlands, there is a strong desire for a Route which better reflects the West Midlands travel to work area<sup>10</sup> in the first instance, and the wider region covered by the Midlands Connect initiative in the longer term.
- 2.12. At a more technical level, it is worth pointing out that the current Route geography leads to an aggregation of Network Rail's cost data such that it becomes very difficult for local stakeholders to scrutinise performance below Route level effectively. This is because Route data obscures potentially significant variations in unit costs, in performance, in investment levels and in design requirements between high speed inter-city routes and other parts of the network. Whether or not business unit geography is to change in future, we would advocate much greater disaggregation of Network Rail cost data in terms of geography and function.

### **Functions**

- 2.13. Turning to the more detailed issue of which functions to devolve to sub-national business units and which to retain centrally, we believe that the scoping report does a good job of recognising the trade-offs at play. We would largely agree with the assessment that Routes currently lack power and accountability over many of the functions within their remit. In that sense, we feel we get the worst of both worlds: overly centralised and distant specialist functions and centres of power, paired with un-focused and under-powered Route Management.
- 2.14. Our suggested guiding principle, which follows from previous points on political devolution, is that there should be a presumption that infrastructure functions are managed at the lowest geographical scale without loss of efficiency. While much is made of economies of scale in the rail industry, it is entirely unclear at what point these become exhausted. Based on evidence from the past two decades, we would suggest that an organisation the size of Network Rail is difficult to manage and may well suffer from diseconomies of scale. Added to this point are the arguments that more locally focussed business units are likely to benefit from better local knowledge, greater accountability and more effective incentives.
- 2.15. We see a clear case for the vast majority of maintenance, operations and delivery of routine enhancements and renewals be managed at a regional scale. We can also see advantages

operators. Report available: <http://www.pteg.net/resources/types/reports/destination-growth-case-britains-regional-railways>

<sup>10</sup> This includes the key commuter rail corridors into Birmingham from Worcester/Hereford, Burton/Derby and Leicester, as well as what are currently seen as Birmingham's suburban rail network.

in there being common oversight over these functions given spill-over effects between them. However, we feel that there needs to be a more flexible approach to scheme development, procurement and delivery. Hopefully, a more devolved approach on the part of Network Rail would enable this to happen naturally although concerns have been expressed that Routes currently lack the right level of skills and expertise to enable this transition.

- 2.16. In relation to other functions currently treated as central overheads, there is a view amongst some of our members that there would be advantages in devolving legal and property matters to Routes. One of our members (Transport for Greater Manchester) has gone further and is seeking the transfer of responsibility over rail stations in its area from Network Rail.
- 2.17. Set against the above guiding principle, is the fact that there are important network effects at play. These are likely to be strongest in the context of strategic planning and capacity allocation and we can therefore see the case for centralising some of these functions.
- 2.18. At the same time, city region transport bodies have a clear interest in the outcomes of the strategic planning and capacity allocation processes, and it is essential that they reflect local economic priorities and opportunities. We don't feel that this is always the case at the moment.
- 2.19. In acknowledging this tension, we think there is a case for exploring a two-tier system whereby certain types of planning decision are reserved for a centralised body, whilst others are fully devolved to more local business units, accountable to devolved political bodies; or to those devolved political bodies themselves. We believe that this already happens to some extent in Scotland and Wales, and feel that this could be a workable model elsewhere. The advantages of the model we propose is that it would be able to leverage local skills and knowledge more effectively, whilst ensuring greater engagement with local stakeholders. This would also offer greater scope for better tailoring solutions to local needs.
- 2.20. It is worth pointing out that the funding of major local transport schemes has moved in this direction over the past decade, initially with the prioritisation of schemes by Regional Development Agencies, and, more recently, with this role moving towards Local Enterprise Partnerships and Combined Authorities. Whilst recognising that railway infrastructure is a more complex system, with greater interaction between services connecting different geographies, it is easy to overplay the need for coordination and the opportunity for economies of scale over the importance of local knowledge and accountability in driving more efficient decisions.

### **How Network Rail is funded and to whom it is accountable**

- 2.21. The scoping study does a good job of highlighting the complex set of accountabilities which Network Rail is subject to. In principle, we would favour a more streamlined and transparent approach but one which also has more direct input from, and is more responsive to, devolved political bodies, in particular in relation to the planning and delivery of enhancement schemes and to the operational performance of the infrastructure. We believe that this would help bring the infrastructure provider closer to its end customers.



### 3. Does Network Rail's structure work?

#### Customer

- 3.1. We feel that the description of Network Rail's customers in the scoping report does not fully acknowledge the role of local transport authorities in specifying and funding infrastructure enhancements or train services.
- 3.2. More generally, we fully agree with the report's assessment that *"incentives are precariously balanced; it is not always clear who is accountable for what; there are multiple touch points with NR's different functions, often handled on project by project basis; and incentives therefore subject to fragmentation and misalignment"*.
- 3.3. In practice, this means local transport authorities often get poor customer service from Network Rail, have little or no influence over scheme delivery and are often faced with unexpected and unexplained costs and delays. This point is illustrated by the examples in Annex One.
- 3.4. As we state earlier in the response, we would therefore favour a structure with much greater local focus and accountability.

#### Devolution

- 3.5. The scoping study seems to ignore some of the changes relating to devolution of franchising powers which are currently in train or already at an advanced stage – please refer to the introductory section of our response for further details.
- 3.6. As stated earlier, we believe that there could be significant benefits from a better alignment, both in terms of geography and governance arrangements, between Network Rail's devolved business units and local government bodies to whom transport funding and rail franchising powers are being devolved.
- 3.7. These include greater focus on local requirements (linked to the issue of management bandwidth highlighted in the scoping study); greater accountability; the ability to leverage local knowledge more effectively in prioritising investment decisions and in holding Network Rail to account; as well as more locally tailored and potentially more cost effective design solutions.
- 3.8. We feel that the scoping study is perhaps too cautious about the potential implications of greater devolution of Network Rail functions and accountability to sub-national business units.
- 3.9. We recognise that the railways are a highly interconnected system, which creates the need to coordinate certain functions at national level. We also accept that a more devolved approach can create additional coordination problems at the interfaces. It is less clear cut to what extent there would be losses of economies of scale as it is possible that Network Rail is currently above its efficient scale. Indeed, we would argue that some of the issues which have recently come to light regarding lack of cost control, lack of accountability and weaknesses in the strategic planning process all suggest that there may be diseconomies of scale at play.



- 3.10. But fundamentally, there will always be issues around coordination, transaction costs and scale in an industry of this nature. The question is where key interfaces are placed.
- 3.11. We feel that, at present, NR is required to spend too much effort managing its relationship with national stakeholders and not enough engaging with local stakeholders, who are often best placed and incentivised to help tackle underlying cost and performance issues, and to identify the most effective way to develop the network.
- 3.12. There seems to be a sense that the railway industry is best managed and held to account in a top-down way using aggregate performance metrics. While this approach will probably always have some role to play, many of the underlying challenges facing the industry require more disaggregate level information, local knowledge and bottom-up solutions.

### Growth

- 3.13. We would strongly echo the scoping report's statement that "*[some customers] find the planning processes overly cumbersome for smaller-scale projects – and are unwilling to be drawn into contractual arrangements based on evolving costs. This uncertainty undermines their own margins and expenditure plans and may mean that their business case is eroded or negated. In addition, NR has a reputation for being an unresponsive contractor unwilling to make alterations to projects even on an emerging cost basis*".
- 3.14. In response to the question on the strengths and weaknesses of Network Rail's approach to the planning of enhancements, we would say that the system is clearly structured and reasonably well understood, but also very inflexible, conservative and lacking in accountability to customers. At a more detailed level, there are clear issues relating to lack of reliable asset condition information and sufficient design detail. We believe that greater local accountability would help encourage positive change in this area.
- 3.15. We refer to the scheme-specific examples in Annex One for further details.

### Developing options

- 3.16. In relation to question 17, on the structural features of a future infrastructure provider, we would emphasise our previous points that it should align with, and be accountable to, devolved political bodies.
- 3.17. In relation to question 18, on the wider processes that could be improved, we feel that greater emphasis should be placed on wider economic objectives, over short term financial performance; and on the performance of the wider transport system, over purely the performance of the rail network.
- 3.18. In relation to question 19, on the relationship between the periodic review process and other processes we are involved in, we feel that it would be desirable if there was greater alignment with the Local Transport Plan process; with Highways England control periods; and with the prioritisation of schemes of regional or national importance which is performed by bodies such as Transport for the North and the emerging Midlands Connect initiative.
- 3.19. In relation to question 20, on the criteria that should be used to assess structural options, we would emphasise the importance of effective alignment with devolved political bodies; the

ability to contribute to wider economic growth objectives; and the ability to look at the railway and the transport network as a whole in an integrated way.

#### **4. Financing and funding**

- 4.1. Together with Rail North, we have commissioned Grant Thornton LLP to help us explore the scoping report's questions in relation to financing and funding. Their work is incorporated in Rail North's response.
- 4.2. We would highlight that, much as private investors, local transport authorities would favour a system that was able to provide greater transparency, certainty and accountability on the part of the infrastructure provider.

## **A. Annex One – Scheme specific examples**

This note aims to pull together information on the performance of Network Rail and the potential for Local Transport Authorities to have greater input into locally significant schemes on the railway network. The note is structured around the following three themes:

- Examples of problems with Network Rail scheme processes and delivery;
- Examples of where PTEs/TfL have project managed/delivered rail schemes in an efficient and cost effective way;
- Examples of where we would like to play a greater role on infrastructure and the benefits that would derive from it.

### **Examples of problems with Network Rail scheme processes and delivery**

The examples of where our members have experienced problems with Network Rail (NR) broadly fit within the five themes set out below:

- Increases in cost and timescales from initial estimates;
- Failure to undertake effective surveys ahead of construction, leading to avoidable delays;
- Problems in the early stages of design and construction;
- Lack of certainty/communication from Network Rail over costs and timescales;
- NR imposing overly rigid, bureaucratic and lengthy processes.

#### ***Leeds Station Southern Entrance (LSSE), West Yorkshire***

West Yorkshire Combined Authority (WYCA) signed an emerging Cost Implementation Agreement with NR in November 2013 to deliver Leeds Station Southern Entrance by March 2015. NR subsequently reported a 15% cost increase and programme slippage of 8 months. The project has since suffered further delays.

Under a risk share agreement, NR are liable for under 40% of the shortfall, with WYCA responsible for the rest. WYCA has also had to support additional costs in the form of property compensation payments. NR and Carillion, the main contractor, subsequently implemented a mitigation plan to prevent further slippage, bringing in senior resources to focus on delivery and commercial management. Construction has since progressed well, with the target for completion remaining late November to allow public opening in early January 2016.

It has come to light that some of the additional cost and delay were due to errors by NR and Carillion, in terms of initial surveying work, as well as control and supervision during construction. In particular, the already difficult site conditions turned out to be worse than expected leading to the need for re-design of parts of the scheme. WYCA believe that this could have been anticipated if greater effort had been placed on early survey work.

#### ***New Bromsgrove station, West Midlands***

This project was initially set to cost £14.6 million, including contingency allowance, and was due to be completed by May 2015. This has since slipped to March 2016, with accompanying cost increases.

It has emerged that the pre-assessments of the site undertaken by NR failed to provide accurate evaluations of initial asset condition, ground condition and of works required. This led to numerous changes to the design, with a direct impact on both construction timeline and costs.

The delay was also due to a review of scope to include additional work carried out to prepare the track for electrification. These issues have in part contributed to a 10 month project delay and a cost increase of around £7m (+50%).

### ***New Kirkstall Forge and Apperley Bridge stations, West Yorkshire***

Emerging Cost Design Services and Implementation Agreements were signed with NR in 2013/4 to deliver the design and construction of these two new stations, with an expected completion date of August 2015.

In August 2015, NR advised WYCA of a cost increase of around 40%, due to emerging issues identified during the construction which had not been anticipated at the design stage.

In addition to the cost and time over-runs, WYCA is concerned by the lack of timely communication on the part of NR. Although WYCA had been verbally advised of emerging issues at an earlier stage, at no point until August 2015 (the expected completion date) was WYCA informed of an increase in scheme costs.

In October 2015, NR advised of further unspecified key issues that had emerged during a project review meeting, which delayed the opening date for Apperley Bridge station further. The station opened to eventually opened in December 2015 after direct involvement from the DfT.

WYCA are currently working through the large quantity of information provided to determine whether NR are entitled to the additional costs. This is a challenging process as there is little information on the reasons behind observed cost increases.

### ***Halton Curve, Liverpool City Region***

The Halton Curve project, linking Liverpool with North Wales, provides a good example of NR's management and operational processes leading to significant project delays. The GRIP 3 process (option selection) was due to start in November 2014, but allegedly as the result of a nearby NR project (Weaver-Wavertree re-signalling), the process only commenced in September 2015. During this period, anticipated costs have fluctuated significantly, with the latest position seeing the cost double from the initial proposal.

Whilst Merseytravel (the strategic transport authority for the area) are funding a large part of the work and have committed the required funding, there are still issues to be resolved at the NR end that have prevented the project from moving to the next stage.

From Merseytravel's perspective, a key problem has been that expenditure approvals have to go through a number of bodies and boards at NR, with some boards only meeting every 6-8 weeks. This means that a small delay or a missed deadline can immediately set a project back by months. This internal bureaucracy will inevitably lead to delays and cost increases.

### ***Doncaster Station re-development, South Yorkshire***

Local Transport Authorities commission a wide range of local infrastructure projects, and as such have developed a reliable base of local suppliers and contractors. Whilst it seems sensible to tap into the local supply chain, overly burdensome qualification requirements imposed by Network Rail make this highly challenging in practice.

When redeveloping Doncaster Station, South Yorkshire PTE and their contractors had to undergo an onerous approvals process that ultimately delayed the completion of the work. This went down to the level of the type of machinery that was required to complete tasks, with extensive sign off required by NR.

### ***Network Rail Asset Protection Agreement***

NR's Asset Protection Agreement regularly uses the term 'reasonable' to qualify any requirements from Network Rail. So, for example, "*NR will not unreasonably delay a project*". In practice, this wording means that there is no firm commitment to timescales, which makes it very difficult for local stakeholders to manage their own contractors delivering work on the railways.

Taking another example, the APA states that approvals by NR for any designs which fall on the critical path can require up to 25 days, but then caveats this by saying approvals for complex designs will take "*longer*". Another example is the statement that where the Customer fails to submit all the information that NR may "*reasonably*" require then the timescales are void. Placing the burden to determine what information NR requires on the Customer seems entirely unreasonable and will inevitably lead to unnecessary delays.

In addition, the APA allocates any additional costs incurred squarely with the Customer, regardless of who has caused them. In general, placing all the risk on the Customer gives NR no incentive to mitigate these risks and will inevitably lead to higher costs and longer delivery timescales. This contractual approach could also be seen as an explanation for some of the initial surveying and design errors which were thought to be the root cause of delays and costs increases in the project examples given earlier.

*[Note that the examples below are drawn from Transport for Greater Manchester's response]*

### ***Bolton Interchange, Greater Manchester***

Transport for Greater Manchester developed the Bolton Interchange project with NR, which includes a bridge that will span over operational railway and link a new bus interchange with the existing rail station ticket office ('Skylink Bridge'). The design included the protection of a rail corridor into the currently disused former Platform 5. TfGM obtained NWR Land Clearance approval for the land required to locate the Skylink Bridge piers (24/09/12) and Form 001 Technical approval (19/06/13) and submitted the design for Form 002 approval on 26/06/13.

NR subsequently invited TfGM to a workshop in (24/07/2013) to present the emerging Platform 5 proposals and confirmed that the previously approved Skylink Bridge design compromised the preferred alignment into Platform 5. On 06/08/13, NR formally advised that the Skylink Bridge design failed to accommodate an adequate alignment into Platform 5 and that in order for the Skylink Bridge to proceed it would require a re-design outside of the Network Rail preferred alignment.

Once the issue had been identified, TfGM were the driving force in attempting to engineer a mutually acceptable design solution. NR were not pro-active and showed lack of flexibility in terms of interpretation of the design standards that could be adopted. Communication was generally poor.

#### ***Blackrod rail station DDA scheme, Greater Manchester***

NR's approvals process for this TfGM-led scheme proved problematic and led to significant time delays. Specifically, communication from NR lacked rigour, its advice relating to approval and design was not sufficiently proactive and there was a lack of knowledge and flexibility in interpreting design standards.

On the latter point, despite designs complying fully with all planning and building regulations, NR advised that it would not be approved without formal agreement from DfT. Following discussions with relevant parties, Network Rail eventually accepted that DfT approval was not needed. In addition, NR provided late advice that the scheme would need to comply with additional guidelines applicable to schemes on Trans European Network (TENS) routes. Network Rail again eventually accepted the original design but not after further delay.

#### ***North West Electrification***

Despite timely delivery of elements of this work programme and a good example of effective collaboration between Network Rail, TOCs and other stakeholders in the case of the Farnworth Tunnel, our overall impression is that NR often lacks knowledge or acknowledgement of the size and complexity of the infrastructure issues involved.

The electrification over Chat Moss was late, with reported issues of poor installation and challenging ground conditions which required unexpected line closures over four weekends in May. Late notification of this project delay left operators with no opportunity to develop contingency and passenger communication plans. The Ardwick electrification project over-ran by two months and the energise date has now slipped by 12 months in total. There are also more general concerns over delays to the North TransPennine electrification.

It is felt that a more open process for planning the delivery of enhancements, allowing some contingency time at break points to enable recovery, along with more open information flows between those on the ground and those managing the projects would have helped address some of these issues.

#### ***Victoria station upgrade, Greater Manchester***

This was a large, complex scheme, in which TfGM was the client for the delivery of Metrolink (light rail) infrastructure as part of wider station upgrade works.

NR provided project and commercial management, contract administration, site supervision and design management services. The overall impression left by this project is that there was insufficient accountability to TfGM. NR failed to meet project requirements and failed to implement procedures to meet governance structures required throughout delivery. The project lacked an overall integrated programme to allow full forward planning and risk analysis; decisions which affected TfGM requirements were taken without including TfGM and changing resources led to poor design management and incorrect design installation. When severe programme challenges occurred Network Rail did not adequately consult, consider or manage the commercial risks imported to TfGM. Finally, it was necessary for



TfGM to employ a full time clerk of works to gain adequate assurance of site supervision during the delivery of works. This points to the need for a strengthened sponsor role at NR and more structured requirements management to give visibility and inclusivity to change control.

### **Examples of infrastructure scheme delivery by local transport authorities**

This section provides examples of where local transport authority involvement in projects has led to improved outcomes. Local bodies are often well placed in terms of know-how and local governance arrangements, are focussed on the delivery of local schemes and have access to a reliable supply chain.

This section focusses on:

- The ability of local authorities to deliver schemes to constrained budgets and to achieve value for money outcomes;
- The ability to stick to timescales;
- The experience of local authorities in delivering a range of infrastructure projects in complex environments.

#### ***Birkenhead station works, Merseyside***

Work at Birkenhead station was delivered via the TOC (Merseyrail Electrics), and funded by Merseytravel and the DfT Access for All programme. The aim was to provide a new footbridge and lifts between an island platform and other parts of the station. In 2009, NR undertook a GRIP 3 (option selection) study and concluded that the construction costs would be £2.97m in 2009 prices.

Merseytravel secured funding in 2012, and were allowed to develop and deliver the scheme following other successful examples of work. Additional work was delivered above the initial costed scope, including a new staff car park and access to all park and ride facilities via a ramp. Despite the additional work, the project was delivered in eight months at a cost of £2.74m in 2014 prices.

#### ***Formby station – installation of new lifts, Merseyside***

In 2009, NR quoted a construction cost for two new lifts of £2.92 million in 2009 prices. Merseyrail preferred take a different design approach, building lift shafts attached to the existing building rather than within it, with construction completed in August 2015. The cost of the project was £1.54 million, just over half of the proposed NR cost. Whilst the scope of the project delivered was not the same as originally scoped, Merseyrail were able to develop a more innovative approach to the project and were able to deliver the same outcomes at a fraction of the cost.

Local Transport Authorities can help to remove some pressures from the large bureaucratic processes of NR. This is particularly possible for local infrastructure schemes, many of which are in line with projects that are being delivered in other aspects of transport successfully.

#### ***QEII Bridge Track Renewal – savings from competitive tendering, Tyne and Wear***

This involved the renewal of 400m of track and ballast on the Queen Elizabeth II bridge over the river Tyne, which is part of the Tyne and Wear Metro network. This infrastructure is



owned and operated by Nexus, the Tyne and Wear Passenger Transport Executive, which administers funds on behalf of the North East Combined Authority. Work was completed to plan over two 52 hour weekend possessions in May 2015.

Originally, this work was intended to be carried out under an existing track renewal framework contract. However, the cost proposal put forward by the framework contractor was thought not to offer value for money and so a competitive tendering approach was adopted. This resulted in a 46% saving over the initial price quoted by the framework contractor. Further savings were gained by allowing the contractor to utilise Nexus' own rail tamping machine.

### ***Metro cabling renewal works - developing in-house capacity and capability, Tyne and Wear***

In 2011, Nexus produced an initial strategy for a substantial renewal of cable duct route, optical fibre as well as signalling cable testing and replacement. The initial cost estimate, using external contractors, was in the region of £25m against a budget allocation of £13.6m. Contractor mobilisation, compensation for possessions and the scope of works all contributed to this comparatively high cost.

In 2014, a more targeted and localised approach to repairs was devised. It was also decided to establish an internal capital delivery team in place of external contractors. This resulted in two major benefits:

- The ability to progress the majority of the works with no disruption to the Metro service and the travelling public;
- The ability to re-deploy resources almost immediately in response to unforeseen events such as adverse weather and poorer than expected asset conditions

A detailed programme of works was then developed, including recruitment, training, procurement of materials and delivery. The work is expected to conclude in 2016 within a budget of £12.7m.

### ***Metro asset renewal programme – developing in-house capacity and capability, Tyne and Wear***

The Metro Asset Renewal Programme delivery structure is configured as follows:

- A team of dedicated multidisciplinary Project Managers delivering projects - primarily working within the NEC3 suite of contracts;
- An Engineering team providing the project sponsor role and asset ownership. This team develops asset management plans and determines specifications and project requirements and has some design capability;
- A Programme Assurance team providing project controls, governance and planning together with commercial support (cost management, estimating, contract administration and contract legal support).

Although some of this capacity was initially provided through external consultants, Nexus has considerably developed its internal capacity and capability over the past five years. External contractors are now used mainly to meet workload peaks and to provide specialist skills. In the first three years of the programme this has enabled Nexus to cut the management and design overhead from 22% to 16% of annual capital expenditure.

***Castleford bus station, West Yorkshire***

The West Yorkshire Combined Authority (WYCA) managed the construction of a new £6m bus station in Castleford, on the site of the existing station. The new station was built between March 2014 and February 2015, on time and on budget.

Good partnership working between all key stakeholders was key to the success of this project. WYCA and Wakefield Council signed a 'Memorandum of Understanding' that aligned the targets of both parties, and clearly set out roles and responsibilities. WYCA and the contractor, Morgan Sindall, agreed a 'Customer Charter' at the start of the construction stage that aligned the targets of both parties, with a review of progress towards these targets at key points. The project was based on a Design and Build contract but sought to blend WYCA's wide ranging experience of bus station design and operations with efficiency gains through early contractor involvement.

This partnership frameworks meant there were no significant issues during construction and relatively few reports of disruption to third parties during the construction period. This is a significant achievement given the necessity to phase the construction with parts of the original bus station remaining open until the final stages, the scale of the works and the busy town centre location.

*[Note that the examples below are drawn from Transport for Greater Manchester's response]*

***Rochdale interchange, Greater Manchester***

The new Rochdale Interchange opened in November 2013, in line with the publicly committed deadline of end of 2013. The scheme was developed in partnership with Rochdale Council and Rochdale Development Agency. There were a number of other complex and challenging interfaces to manage – specific examples being the integration with the previously delivered Rochdale Hydro-Electric Power Plant, the interface with a recently opened Metrolink (light rail) terminus, the challenging topography of the site and the need to release the existing bus station site at the earliest opportunity, in order to tie in with the delivery timescales for the wider regeneration of Rochdale town centre (including the Genr8 retail-led development).

Post implementation surveys showed passenger satisfaction levels increased from 49% to 98% following the opening of the new facility. The scheme also won the Lancashire Project of the Year in the 2014 North West Construction Awards.

***Wythenshawe interchange, Greater Manchester***

The new Wythenshawe Interchange opened in July 2015, ahead of the publicly committed deadline of end of 2015. The scheme was delivered in partnership with Manchester City Council and the Wythenshawe Regeneration Team. Given the scale of construction activity taking place in Wythenshawe Town Centre at the time (including the new Manchester Airport Metrolink Extension), close dialogue with Elected Members and the wider public was essential in order to ensure that disruption was kept to a minimum and that all stakeholders were kept informed. Initial feedback from bus operators and passengers has been extremely positive.

### **Examples of where we would like to play a greater role on infrastructure and the benefits that would derive from it**

As has been set out above, Local Transport Authorities have had successful involvement in rail infrastructure schemes, and wider infrastructure schemes in general. They also have an interest in ensuring that the rail network works efficiently and is sufficiently developed to meet the needs of local and national passengers using the infrastructure. In order to improve the outcomes, there are specific areas that our members are seeking further involvement in the railways to try and meet the above aims.

From the evidence presented, you could argue that NR's long list of projects is not always the best place to design schemes of local importance. It is understandable that NR has a large number of schemes under its control and has to prioritise resource and budget appropriately. We would argue that some of these schemes are of relatively greater local importance (to the Transport Authority) than to Network Rail.

Greater attention to detail, both in terms of design and initial site assessment, a better alignment of incentives and the ability to leverage local knowledge would ultimately result in greater success in delivering projects on time and to budget. This could be achieved by giving Local Transport Authorities greater control over design and project management. We would argue that as we often bear risk with regards to cost (to at least some degree), we have a large interest in ensuring that projects are firstly designed in an efficient way to deliver goals on budget and in time, and second that the project is managed in such a way that minimises any risk of overruns in time and cost.

At the local level, PTEs have been managing schemes away from the railways and have developed sufficient expertise, experience and partners in industry to enable this to occur. Based on the Doncaster Station given earlier, we believe that if the scheme had been managed by a single local body, it would remove much of the delay currently imposed by NR's overly complicated bureaucracy.

TfGM would like to explore this possibility by taking control of rail stations on its national rail network. They feel that they are in a better place than NR to prioritise and implement schemes that are beneficial to the local rail network. By taking ownership of the stations, this would enable TfGM to set their own programme of developments and match the timescales to their available budget. It is possible that this would bring forward schemes that are not high on the NR priority list, releasing capacity at the NR end whilst delivering improved outcomes on the ground. It is possible that this is an area that city region transport authorities can have a very positive impact on the ground.