

The Shaw Report
Zone 6.03
Sanctuary Buildings
Great Smith Street
London SW1P 3BT

December 2015

Dear Ms Shaw,

The future shape and financing of Network Rail

London TravelWatch is the official body set up by Parliament to provide a voice for London's traveling public, including the users of all forms of public transport, and covering the wider London Railway Area which extends into the wider South East of England. Representing users of all modes of transport gives us a unique perspective on the role of Network Rail and the ability to compare and contrast their approach with other infrastructure providers.

As such we welcome the opportunity to respond to this consultation: as witnessed by recent experience of the Sussex and Southeastern routes Network Rail's activities have a major impact on passengers' day to day experience of travel in the London area both now and in the future, and it is essential that Network Rail or any other potential infrastructure provider in the future can understand, anticipate and respond to passenger need in a positive manner.

At present Network Rail has a semi-detached relationship with passengers, which at times leaves passengers frustrated or extremely disappointed with their travelling experience, and has caused a significant breakdown in trust in the organisation. This arms length relationship reflected in the fact that Network Rail does not formally recognise that passengers are their customers, and that the proxy for the passenger is either the train operator, Department for Transport (DfT), other service procurers such as Transport for London (TfL) or the Office of Rail and Road. Network Rail or any other future infrastructure provider should in our view have a much closer focus on the passenger experience if it is to rebuild public trust, and also help ensure resources are allocated most effectively.

This review also has the opportunity to address some of the systemic issues that are embedded in Network Rail's operation and planning culture. By example, Network Rail has inherited from Railtrack an attitude that renewal of infrastructure is done on a 'like for like' basis and that enhancements are not done unless some other body pays for it, and usually at a separate time.

On the specific questions we respond as follows:-

Question 1. What are your views on the scope of Network Rail's functions?

Question 2. Have we failed to mention any specific and important factors?

We agree that Network Rail's functions are largely described well by the Operation Maintenance Renewal Enhancement (OMRE) framework, except that it does not describe how 'alliancing' with train operators operates and the benefits that this mechanism brings to passengers and operation efficiency. The functions described in paragraph 3.9 are in our view delivered by Network Rail with varying degrees of enthusiasm, commitment and quality, but passengers need to see consistent best practice throughout the organisation.

Question 3 what are your views on these accountability arrangements and their effectiveness?

Network Rail has a number of accountabilities, but crucially not to passengers as users of the network. London TravelWatch and Transport Focus have better relationships with the train operators because of the licence and franchise obligations that require them to deal with our organisations on behalf of passengers. However there is no such obligation on Network Rail, and in consequence the relationships with Network Rail are not as strong as they could be, and consequently Network Rail do not always take account of passenger needs in their activities.

There is a need for Network Rail to develop in its core organisational culture openness, transparency, a willingness to share information and work collaboratively with passengers and organisations such as London TravelWatch and Transport Focus that represent passenger interests. The resources of these organisations are limited compared to those of Network Rail, but it is in Network Rail's interest that strong, evidence based advocacy for the state of the national network is established and maintained.

Devolution of more responsibility and accountability to route level is in principle to be welcomed – but only to the extent that it brings a closer focus on the end users of the railway such as passengers and freight customers, and greater co-ordination in the London area with TfL.

Question 4 Have we correctly identified and defined Network Rail's customers?

No. Passengers and freight consigners must be considered Network Rail's ultimate customers and this must be reflected in the reviews findings. There are clearly other customers too notably the train operators, but these have legal requirements (e.g. in relation to franchises) and other commercial interests which do not necessarily coincide with the interest of customers.

Question 5. How are customer needs and expectations met by Network Rail at present?

These are met imperfectly because the train operators, DfT (and other procurers such as TfL) and ORR effectively act as proxy customers for rail's ultimate passenger and freight users. These bodies however have other roles and objectives which are not necessarily the same as those of these end users.

The planning and timetabling of rail services has in our view not taken the priority that it should have amongst Network Rail's functions. We note that a significant proportion of the problems in recent years on the Sussex and Southeastern routes through South London, Surrey and Kent have been attributed in part to Network Rail's inability to prioritise or control the planning and timetabling process. We see this timetabling function as fundamental to the user-friendly, safe and efficient operation of the railway, and a failure to perform in this area is a major concern.

Similarly, the planning and implementation of changes to infrastructure has not been as good as it could have been from a passenger perspective. Examples here include the failure to understand and anticipate the reaction of drivers and signallers to the new layout on the approaches to London Bridge and to provide sufficient track capacity during the construction of the Bermondsey fly-under to cope with perturbations to services.

London TravelWatch has long argued that Network Rail has not paid sufficient attention to its environmental protection function, and this has affected both the passenger experience of rail travel and the operational performance of the railway. This is evidenced in our January 2014 report on the travelling environment¹ which highlighted the need to deal with trackside

¹ http://www.londontravelwatch.org.uk/documents/get_lob?id=3780&field=file

graffiti, rubbish and vegetation, not only from an aesthetic point of view but to improve safety, train reliability and personal security of passengers that arise from a failure to deal with this issue.

Network Rail's role in the direct management of major stations has also given us concern. There appears to be much less attention paid to the needs of passengers using station facilities for example in interchanging to another mode, as compared to managing commercial premises such as retail outlets within the station². Our research concluded that more attention needed to be paid to improving customer service and information at interchanges and that all passenger facing staff should be consolidated under one management system.

We have also expressed concern that the relationships between the maintenance, renewal and enhancement functions within Network Rail are not balanced, or well managed. A frequent criticism is that it is difficult to recruit and retain a skilled workforce in the maintenance side of the business, in comparison to the more glamorous projects that renewals and enhancements can attract. Similarly, the structure of the organisation means that the route based maintenance and major stations management often have renewals, enhancements and major projects 'done to them' from the centre and then have to pick up the pieces when problems or conflicts occur. As a result these units feel a lack of ownership or responsibility for enhancement, renewal and major projects. These problems have direct passenger ramifications that the organisation finds difficult to take collective responsibility for.

Question 6. Should direct customer pressure on Network Rail be strengthened? If so, how might this be achieved?

Network Rail could strengthen relationships with passengers at all levels in the organisation. This would have a major impact on the organisation's working culture. For example, maintenance and signalling employees can go for years without ever needing to use the passenger railway because they are supplied with company vans or places in the car park. Encouraging these employees to travel on the network would give them a much greater understanding of the impact their work has on passengers and it would also help them to see things from a passenger perspective.

At other levels Network Rail managers need to be required to meet directly with passengers and stakeholders other than the train operating companies to get an understanding of how decisions they make affect passengers, what problems can arise and also to gain an understanding of what passengers need from Network Rail. London TravelWatch and Transport Focus are well placed to undertake this role and have existing relationship with Network Rail: however, these could be substantially strengthened and formalised to enable a better overall outcome for passengers.

Question 7 Are there more positive incentives for delivery which would be useful? Are any of these incentives more effective than others?

Yes. For example London TravelWatch notes that performance of the Anglia route of Network Rail between Liverpool Street and Shenfield has improved significantly since May 2015 following the takeover of former Abellio Greater Anglia services by TfL Rail. In part this is due to a contract regime whereby the operator takes responsibility for the consequences of Network Rail's performance by means of a 10% penalty / incentive regime. This has incentivised the train operator (as customer) to better 'manage' Network Rail: which in turn will also have influenced Network Rail's operational priorities. We think that this mechanism is worthy of being included in other franchises and concessions.

Improving passenger compensation regimes, with a cost to Network Rail for failure to deliver, would also incentivise Network Rail to perform better. In particular, a reduction in the threshold at which delays to passengers' journeys to 15 minutes would focus management

² http://www.londontravelwatch.org.uk/documents/get_lob?id=4040&field=file

attention on ensuring that infrastructure is available and reliable where passenger numbers are greatest.

Question 8 what are the advantages and the disadvantages of the different approaches to disaggregating the network, for example on the basis of:-

- **Physical, political or economic geographies?**
- **Service type e.g. commuter services, inter-city services and regional services?**

The current route structure has the advantage of being focused on the largest flows of passengers into London, but does not necessarily facilitate a co-ordinated approach to London as a whole, with passengers often using a variety of different Network Rail routes and Transport for London to make their journeys. At times of disruption, whether planned or unplanned, this makes co-ordination particularly difficult, and means that planning journeys across London can often result in disjointed and longer journeys. It also presents problems for train operators who use a variety of different Network Rail routes, as policies and practices can vary between routes.

There are also significant needs in terms of information, responding to economic and demographic changes in the capital, handling major local housing developments and the development of best practices across different lines that in our view will require co-ordination across different parts of the London network.

Devolution of responsibility for some rail services to the Mayor of London means that there is now a business need for Network Rail to manage its assets, and forward plan with TfL in line with the needs of London based concessions or franchises. This need can be expected to increase in future, though it will not necessarily be a smooth progression nor will it necessarily cover all lines within the capital. This in our view points to the need for 'guiding mind' that can take a London wide perspective over and above that of the route level.

Managing these pressures, which at times conflict, is not going to be easy. There are arguments both for greater national co-ordination and integration, and for stronger local empowerment. There may be a need for a degree of matrix working but it will still be very important to maintain clear lines of accountability, and effective criteria for managing trade-offs where interests conflict. The key tests are, or should be, what works best for passengers now and in the future.

One important building block will be the handling of responsibility for the London travel area. A major element here should in our view be a strengthened directorate focused on Network Rail's relationship with TfL.

Question 9 Does the current balance of responsibilities between the routes and the centre seem at the right level? Are there any further responsibilities that should be devolved or centralised?

London TravelWatch would support further devolution of responsibility and accountability to the routes part of Network Rail to give a greater balance and co-ordination between the functions of maintenance, renewals and enhancements, and a greater sense of the ownership of the asset and to providing services that have a recognisable customer benefit. But this needs to be balanced against the priorities for continued effective nationwide co-ordination and the routes must have the leadership, authority and decision making capability to effectively manage their activities.

Question 10 Can you point to any specific economies of scale that should be protected at national rather than route level?

Timetable planning needs to be done at a national level in order to allow co-ordination between routes. Information provision and sharing of best practices are also important areas for

national level initiatives. Project planning and specification could take greater account of local circumstances that would allow lower cost and more effective solutions to be found.

Question 11 What processes and capabilities need to be in place (at both the centre and route level) to support Network Rail's current devolved structure?

At route level the ability to set up and operate effective Alliance arrangements has had some benefits to passengers. However, this needs to be supported with resource and management commitment, and effective agreement that the routes can manage themselves without large scale intervention from the centre.

Question 12 Drawing on your previous experiences where relevant, what would be the potential impact on your organisation of further structural change within Network Rail?

As an organisation with a clear statutory remit to represent London passengers, but with very limited resources, it can be difficult for us to engage with major and complex national initiatives. Structural change within Network Rail to smaller devolved structures would be more beneficial to us, especially if part of the structure was dedicated to the needs of London. However, there must be effective succession planning to ensure that relevant skills, knowledge and experience are retained and valued in the workforce that would serve Network Rail or any successor infrastructure provider.

Question 13 What are the strengths and weaknesses of Network Rail's current approach to planning enhancements?

Question 14 What are the strengths and weaknesses of Network Rail's current approach to delivering enhancements?

We agree that for small scale projects the current processes are overly complex and cumbersome, all leading to additional cost and in some cases the abandonment of the project, where a sufficiently robust business case cannot be achieved. We are particularly concerned about the apparent lack of priority given to relatively cheap projects that can provide significant benefits for certain areas or groups of passengers. As an example we would like to see greater emphasis on improving step free access to stations and reducing step / gaps between trains and the platform. Often these could be achieved for relatively little extra cost, for example by raising platform heights, when other schemes are being implemented but with extensive benefits in areas such as performance, when other schemes are being implemented. But there are often many disincentives to pursuing collateral objectives of this kind, and it can take a great deal of persistence from train operators and authorities to take these opportunities up.

There is also a significant amount of rigidity in the planning process that does not allow for changes that occur that are not forecast in Network Rail's modeling. Some of these changes are widescale and can have far reaching implications. In the London area, many past forecasts of population, economic activity and transport demand have proved to be radical under-estimates. The Thameslink programme is providing capacity and services that were planned over 20 years ago and many of the assumptions that underpinned the decisions made at that time. For example the Wimbledon / Sutton loop services were assumed not to grow in usage and that passengers would divert to other lines have been seen to be significantly wrong. Less obviously, but with equally far reaching implications, decisions not to invest here have also been undermined by the subsequent experience – as has been evidenced by the rapid growth of out of hours arrivals and departures from Stansted Airport, and by the huge increases in commuters using terminals such as London Waterloo over the last ten years. We think the planning approach needs to place a much higher priority on flexibility and responsiveness to changes in the market for travel.

However, Network Rail's ability to respond to changes in demand is hampered by the large number of industry planning processes such as the ORR's Periodic Review, the High Level Output Statement (HLOS) of the DfT and then the myriad of other processes that either Network Rail itself or the DfT operate for planning purposes. The length and complexity of

some of these processes could be streamlined in order to give a better focus on outcomes for passengers, allow earlier delivery of schemes and enable a more responsive planning process.

Question 15 How well do the current delivery and planning processes work for projects of different sizes?

This is largely dependent on the skills, commitment and resourcefulness of individuals managing each project, and so can vary regardless of the size of the project.

Question 16 Are there any useful models or precedents from other sectors or countries for long term infrastructure planning and delivery processes that we should consider, including in relation to management of and engagement with suppliers during the planning process?

Although the work is still at an early stage, we think there is merit in investigating further the experience of London Underground who carried out a very innovative procurement process with the Bank station enhancement project that involved contractors at an early stage and gave them the ability to suggest different solutions to some of the problems involved with this project, that resulted in reduced costs and a better overall scheme.

Similarly, TfL has a very successful road works permitting scheme for utilities undertaking works on London's roads. The principles behind this could be applied to Network Rail work, particularly where this affects passenger areas of stations for example. This would incentivise better planning of works and completion on time, minimising the impact on passengers.

For delivery of very specific projects Crossrail is an example of a bespoke organisation that has so far worked quite well and its structure could be contemplated for other specific projects that Network Rail might undertake.

Question 17 What would the most important structural features of any future infrastructure provider?

Any infrastructure provider must have a strategic focus on the end user of their services, and be able to respond to the needs of these consumers in a flexible, considered and cost effective manner. The priorities of passengers and freight consigners must therefore be at the heart of the business of Network Rail or any successor body.

Question 18 Are there any other processes which we not highlighted, either within the Network Rail or the wider industry which could be improved?

Question 19 Do you have any views on the how the relationship between the periodic review process and other processes with which you are involved could be improved?

The Periodic Review (PR) and the High Level Output Statements (HLOS) processes have a major impact on the way in which Network Rail prioritises its activities. The former is a regulatory process and the latter a statement of government intentions. However, both view things from the perspective of the public interest, but not necessarily that of passengers or of freight consigners. Any reform of Network Rail must also look at these processes and see how the passenger interest can be more closely embedded in them.

Engagement with bodies such as London TravelWatch and the use of our research evidence base would improve these processes significantly.

Question 20 What criteria should be used to assess the structural options under consideration? How, if at all, should these criteria be prioritised?

Does it benefit passengers overall and are there any passenger detriments resulting from it? What are the risks, short and long term? What trade-offs need to be made between the interests of different passenger groups?

Questions 21 to 29 concern financial matters that London TravelWatch has no remit over or expertise that could comment on these questions effectively.

If you have any queries on our response please do not hesitate to contact me

Yours sincerely,

Tim Bellenger
Director – Policy and Investigation

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