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Dear Nicola

### **The future shape and financing of Network Rail – The Scope Consultation Document 2015**

Thank you for the opportunity to respond your document regards the future shape and financing of Network Rail.

North Yorkshire County Council (NYCC) whilst responding in its own right supports the response sent in by Rail North representing the 29 Local Authorities across the North.

#### **Network Rail's structure**

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

Network Rail is a very large and diverse organisation but it is sometimes difficult to determine which part of the organisation to deal with. There are also occasions when the current zoning based on routes out of London makes it difficult to develop schemes that go East –West rather than North – South an example of an issue with the current arrangement was in work on the Train Service Requirement for the Northern franchise we very quickly realised that there was a very different policy for lines opening earlier on a Sunday to enable people to go to work, shop, etc., in the London North West zone to that in the London North East zone very much to the detriment of the East.

With the development of Rail North the funding regime also changes where PTE's were previously seen as funders in the North it is now Rail North and with the development of Transport for the North and future potential devolution the Network Rail structure needs to reflect this.

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

There does need to be a deeper review of who Network Rails customers and an understanding that Local Authorities are acting on behalf of the rail user and their communities to ensure that decisions are made that benefit both the railway and the wider community. Railway investment decisions can have a major impact on communities and investments and decisions that local organisations make (such as new housing / employment sites) can have a major impact on the railway. There is a need for a more cohesive approach with much earlier discussions so that a scheme can be developed for the benefit of both sides. A recent example was a National Station Improvement Programme where funding was allocated to a station in North Yorkshire, whilst the TOC is doing a very good job with the funding available, if NYCC had been notified early enough there may have been an opportunity to increase the amount available to improve the station further.

In light of Network Rails move into the public sector how third party schemes are progressed and funded needs to be reviewed, they need to reflect:-

- In some cases it is one part of government paying another part of Government and it still being treated as a third party scheme.
- The size of the scheme, for relatively small scale schemes the project costs can be substantial and potentially put at risk the whole investment.

An area that has been missed is the relationship between Community Rail Partnerships and Network Rail this can be found via this weblink <https://www.networkrail.co.uk/asp/983.aspx> and is produced below: -

Community Rail involves local people in the development and promotion of local and rural routes, services and stations. It also encourage the community to get directly involved improving the railway environment through use of redundant buildings, provision of additional services such as cafes and the improvement of railway land.

In most respects, community rail routes are no different from the rest of the railway. They remain connected to the national rail network. Train Operating Companies run trains and stations. Network Rail maintains the track, signals, bridges and tunnels. What sets them apart is their Rail Partnerships, which work with the rail industry and local authorities to help market the line and to improve stations, train services, bus links and access, all of which help to increase passenger numbers.

Network Rail works with over 60 of these community rail partnerships to provide the rural and local railways that are so important to the communities they serve. Together, we aim to increase passenger numbers and freight use and improve the revenue and efficiency of services.

Community Rail is a Government strategy supported by the rail industry. Network Rail believes that it is one of the tools that will help to provide a long-term future for our railways and is keen to work with stakeholders to implement the strategy.

#### Community Rail Designation

The Department for Transport has designated a number of routes as 'Community Railways'. Designations are intended to clarify expectations and aspirations for the line.

Designation can be either 'Line' or 'Service'; most are both for at least part of the route. 'Service' is generally used where there is heavy freight use or the line is part of a 'Trans European Network' (TEN) route.

Line Designation identifies the line as:

- primarily local in nature and is intended to take it outside the scope of EU conventional rail interoperability regulations
- one which is primarily low speed with light use on which it is appropriate to review maintenance practices and standards
- one carrying designated services

Service Designation: changes the approach to franchise management, with more freedom given to the train operator working with the local community rail partnership. Service designation would include relevant stations, i.e. stations that are exclusive to the designated service and generally local in character. Lines and Services designated to date can be seen in Community Rail routes.

3. What are your views on these accountability arrangements and their effectiveness?

With the organisation being so diverse and large it is sometimes difficult to understand who makes the ultimate decision. As an example in the Long-Term Planning Process it is difficult to determine the schemes that should be developed further (that may benefit more than the rail industry) and those that are then declined as not having good business cases without a real chance to question the decisions.

The relationships between Network Rail, Rail North and the Local Authorities is critical in developing schemes that benefit rail for all.

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

As a continuation of the answer to Question 2, Network Rail needs to recognise that it has a myriad of different customers, each with their own requirements, not all of whom are actually rail users. Different regions have a diversity of needs – when assessing the viability of an infrastructure improvement, the focus is almost wholly on more densely populated areas, whereas it needs to reflect the needs of all. This should include those outside of the urban environment in more rural areas, where the advantage of social cohesion and regional economic benefit are not always aligned to strong financial business cases used by Network Rail in their planning processes.

Local Authorities are customers through:-

- a) Third party schemes – NYCC are currently funding a scheme to “double track” a section of line between York and Knaresborough.
- b) Where a Network Rail change can impact on local communities, railway crossings (these also can impact on the highway), improvements to stations, other infrastructure changes.
- c) Schemes where funding is currently administered through Network Rail e.g. National Station Improvement Programme, Station Commercial Project Facility, Access for All these will have an impact on the local community and Local Authorities will need to be engaged. In some cases if discussions are held well enough in advance then there can be opportunities for Local Authorities to contribute.

Local Authorities act as both local planning and transport authorities. LEPs and other devolved authorities are developing their roles – Network Rail's current structure does not facilitate seamless interface between organisations. Network Rail needs to organise to reflect local development needs and democratic accountabilities - whilst it may be difficult to fit exactly, more can be done than at present.

Through the Community Rail Development Strategy developed by the Department for Transport, Network Rail has to work closely with Community Rail Partnerships, especially as regards to infrastructure changes and also leases on railway buildings.

Heritage Railways also rely on Network Rail for Access to their railways and some such as the North Yorkshire Moors Railway are Open Access customers of Network Rail.

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

Network Rail need to work more closely with Local Authorities in development of Local Plans, railways and future land planning can be of benefit to both parties. With five year periods it is difficult to align Local Plans with the Control Periods especially with Local Plans being for 20 years or more.

The recent Northern and Transpennine franchise announcements are transformational for the whole of the North and Network Rail will need to adapt to reflect these significant changes that will impact on the rail network and then deliver the benefits to all of it's customers.

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

Network Rail as a publicly owned body is now under full public scrutiny and the organisation needs to reflect this change.

With political change through devolution, funding available through LEP's, Local Authorities and other bodies this needs to be recognised in future accountability arrangements.

The overall regulatory structure (and role of the Office of Road and Rail Regulation) needs to be reviewed to ensure that Network Rail has the ability to respond flexibly to the needs of Local Authorities and be accountable to them for the outcomes on their behalf.

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

We need to look at this outside of just a focus on the Rail Network and instead see it as part of a multi-modal transport network, with incentives based on more than just rail operational performance.

Arrangements which allow Network Rail to take a bigger share of the risk on enhancement schemes (where the delivery risk is within their control) are needed.

8. Is there a case for changing the route structure and what are the advantages and disadvantages of different approaches to disaggregating the network, for example on the basis of:

- a) physical, political or economic geographies?
- b) service type, e.g. commuter services, inter-city services and regional services?

NYCC would like to see a route structure that directly relates to the whole North of England area with a single interface for both operations (through the train operators, Rail North) and enhancements (through the train operators, Rail North, Local Authorities, DfT and other investors). This would also help develop one of NYCC's and the LEP's objective of improving East – West connectivity.

The current structure focuses too much on inter-city routes that actually carry a much smaller number of passengers than regional services and so in terms of data and information, the current structure obscures important cost and performance issues across the two Network Rail routes when taken as one region.

A realignment to regional operations would also result in better accountability to local stakeholders would make it generally easier to hold Network Rail to account.

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?

Currently, the split of responsibilities injects complexity and delays to delivering schemes and a more streamlined structure is needed with clear responsibility at a regional route level. The North currently gets the worst of both worlds – centralised strategic planning that may not reflect regional needs and aspirations and un-focused local route management unable to utilise advantages arising from regional or local knowledge.

Large scale projects should still in theory remain at a level where they can be strategically managed in context with the whole national infrastructure picture (albeit with stronger regional consultation and partnership). There needs to be a better mechanic to deliver more easily, smaller schemes that sometimes go under the radar within Network Rail because they are seen as too small without realising the wider local economic benefits.

Plans for renewals need to be published earlier and talked through with stakeholders / potential customers. Renewals should not be seen as “like for like” but should always be questioned as to are their opportunities to improve the railway and the economies along the route. A good example is the double tracking of a section of line between Harrogate and York paid for by NYCC, the opportunity to fund was taken because we were aware that Network Rail had plans to renew the level crossings and replace the signalling. In partnership we have been able to amalgamate into one scheme saving costs and time as part of the process.

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

Where there are large projects that impact on all or many parts of the UK and where significant investment is required then these will need to be carefully considered as whether they could be delivered nationally or locally, protected is probably too strong in this context. There are resources however that should be “controlled nationally” such as particular skill sets, such as signalling, safety, standards, etc., also expensive machinery that can be used across the rail network rather than equipment that can only be used locally.

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

It needs a much improved capability and faster process to move from the strategic planning stage centrally to the scoping stage and then to the delivery stage at a regional level.

It needs far more engagement with various bodies with an interest in the work within the region to ensure a multi-modal approach. Organisations such as Transport for the North (TfN) and Local Authorities need a much higher level of engagement throughout the planning implementation and delivery stages. These organisations will be specifying franchises and rail services, so it is imperative that our long term aspirations are recognised and factored in to the Network Rail planning process with the right engagement at all levels of the process.

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

Any Network Rail restructuring must take into consideration the changing regulatory framework arising from the current developments in devolution to the regions with a better alignment to organisations. Any restructuring outside of that realignment of devolved responsibilities would import further complexity.

The devolution of franchise management has been a critical success factor for us here at Rail North and going forward, the devolution of HLOS schemes and oversight of infrastructure projects are critical to the success of our new franchises and future plans; therefore, we would ask that the interface between Network Rail, Rail North with regards to franchise operations / specification and infrastructure projects is effectively managed within any revised structure. Local Authorities will also have a role in specific schemes, e.g. the Section 106 associated with the Esk Valley railway line service and infrastructure improvements).

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

The strengths include a clearly defined and well understood planning process although restricting to five year cycles leads to difficulties in terms of delivery as the first few years are spent going through the exhaustive GRIP process, more of the planning work should take place in the previous Control Period to then allow delivery throughout the next Control Period if Control Periods are to remain.

There is a further weakness through the lack of flexibility to adapt the process to the needs of specific schemes or where funding opportunities do not match Network Rails or programmes that have been developed locally. The structure needs to better reflect future locally devolved organisations.

There is a need for Network Rail to fully understand the economic ambitions of it's customers / stakeholders in future development. Local Authorities through their policies can change demand for rail travel and investment in the rail network needs to understand more fully how rail can be a facilitator of change for local authorities. Rail capacity and investment needs to be seen a lot more in this way, what are the local economic and wider benefits of any rail investment.

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

Strengths include the well-understood GRIP process, although this can be seen as quite long, expensive and cumbersome to go through.

Weaknesses include the lack of transparency in Network Rail processes and the lack of incentives on Network Rail to deliver on time and on budget, especially where a third party funder is involved, as well as a general weakness in specifying contracts effectively resulting in regularly seen cost / time overruns and scope 'creep'.

There needs to be a simpler and more streamlined approach for smaller projects, let and administered on a local level, the current scale of costs and timescales for relatively small projects can be off putting.

Enhancements at stations, the letting of railway buildings and the liabilities associated with them can be very expensive, time consuming and can be prohibitive especially for community / voluntary

organisation, the whole process needs to be reviewed. From outside the same process seems to apply, whether you are say M&S wanting an outlet at a major station or a community hub at a station with low passenger throughput.

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

Please see answer to 14.

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?

There are clearly successful schemes around the world and Network Rail could be a leader in developing and understanding worldwide best practice for schemes and delivery.

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

To be able to relate directly to its customers and funders. In the case of the North of England this means a direct relationship with Rail North, Local Authorities and Transport for the North. For East Coast Main Line the East Coast Main Line Local Authorities group

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

More involvement with the Franchising process – there should be more of a connection between the infrastructure improvement plans going forward and the ITTs issued by the Department for tender.

The regulatory framework and relationship with the ORR needs to be improved.

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

Please see answer to 13.

The review process can lead to schemes being put forward by Network Rail that are then declined by the ORR as part of the review. As part of the CP5 process Network Rail put forward schemes to the value of £500m for improvements in the East Coast Main Line many of which had come forward through the CP5 RUS consultations, instead a £247m connectivity scheme fund was allocated for the East Coast Main Line for Network Rail to develop schemes. There was no clear understanding of how the £500m that Network Rail had requested had been reduced to £247m and which has subsequently been reduced further with some schemes now in CP6. This led to considerable frustration amongst the Local Authorities along the route and led to the creation of ECMA (representing the interests of all Local Authorities along the route) to produce a business case for further investment in the East Coast Main Line.

20. What criteria should be used to assess structural options under consideration? How, if at all, should these criteria be prioritized?

NYCC would strongly request that in any deliberations that you are mindful of the points we have raised above about alignment of strategic organisations and the changing funding, planning and regulatory environment emerging as a result of devolution.

Network Rail should recognise that it is part of a changing industry, where expectations of our customers are rightly increasing and it needs to evolve to work with the relevant partners to meet those expectations – it cannot continue to operate in isolation and dictate to the industry and passengers what it thinks is best – It must be reformed and regulated to reflect a greater accountability, with integrated planning and implementation processes recognising the needs of those interested parties.

Financing and funding of the company

North Yorkshire County Council are not in a position to comment on Questions 21-28.

Risks and Implementation

29. Do these feel like the right concerns? Has anything been missed that is vital to consider at this stage?

Where care will need to be taken is if there is a need to restructure Network Rail, this can be very disruptive and can lead to the organisation taking “it’s eye off the ball for a time” while they are restructured. Very careful consideration of how this may be done whilst maintaining the current railway and current plans and investment needs to be part of any restructuring plans.

Yours sincerely

A handwritten signature in black ink that reads "Richard Owens". The signature is written in a cursive style with a prominent 'R' and 'O'.

RICHARD OWENS  
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Integrated Passenger Transport