

## **The Shaw Report**

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## **The future shape and financing of Network Rail**

Dear Nicola

Transport for the North brings together local transport authorities, combined authorities and Local Enterprise Partnerships across the North of England to allow the North to speak with a single voice to Government. Transport for the North is seeking to deliver a programme of transformational improvements to support economic growth in the North of England, which we believe will lead to a rebalancing of the national economy and allow the North to operate as a cohesive economic unit. Transport for the North will become a statutory sub-regional transport body under recent legislation, and will ultimately enable TfN to implement real change, transforming Northern connectivity to rebalance the country's economy.

Rail is a crucial component of our vision and we are seeking significant reductions in journey time and increases in frequency. For example, our target is a 20 minute journey time from Liverpool to Manchester achieved by 6 trains per hour with a substantially increased passenger capacity upgrade. Similarly between Sheffield and Manchester, we are seeking to reduce journey times by over 70% and treble the number of trains. Our programme for rail connectivity is called Northern Powerhouse Rail (NPR).

Currently committed rail infrastructure schemes such as the Northern Hub and the recent franchise announcements are very worthwhile improvements for the North, but they do not deliver the transformational connectivity that the NPR vision is seeking. We are currently involved in an extensive programme of work with Network Rail and HS2 Ltd to identify the infrastructure interventions that will be required to achieve this level of connectivity. Our work to date has found that achievement of our targets for journey times, frequency and capacity means that significant sections of new railway will be needed across the North. The currently consulted HS2 scheme, with refinements, has potential to be part of the solution to address our targets in some corridors, but not all. HS2 has limited spare capacity in addition to HS2 services, and its route does not serve all NPR corridors.

The current phase of NPR activity is identifying what infrastructure measures are needed to deliver the NPR vision, with an aim of developing a prioritised and costed programme, supported by the North, by autumn 2016. Much of this phase of NPR work will be delivered by Network Rail.

Transport for the North and Rail North are closely linked, and in time, Rail North is likely to become part of Transport for the North. We therefore fully support the response made by Rail North to your consultation on the future shape and financing of Rail North. From a Transport for the North perspective, we would draw attention to some specific areas.

Firstly, we believe that Network Rail's organisational structure should recognise the existence of Transport for the North as a Sub-Regional Statutory Transport Body. We therefore consider the suggestion of a route structure which mirrors transport geography as essential (Consultation Question 8 refers). We note that Network Rail has established Scotland and Wales routes which mirror Devolved Administrations, and expect the same in the North. Such an arrangement would also mirror the franchises which will be managed on by the Rail North/DfT Partnership through a team based in Leeds, and which will be fully devolved in the future to Rail North subject to satisfactory progress.

Significant funding for scheme development is now being channelled to Network Rail through Transport for the North. As a funder, we believe that transparency on costs and programmes are important, with regular reports on progress being received (Consultation Questions 13 and 15 refer). Achieving this under the forms of contract that Network Rail uses, which are approved by ORR, has been challenging. We would suggest that the way that Network Rail contracts is reviewed to better reflect the needs of third party funders, which are not part of the rail industry, to protect their interests as well as those of Network Rail. We are aware that Local Authorities and other partners have found agreeing to Network Rail contracts difficult, because the level of risk transfer to the funder may be more than it considers acceptable, and the lack of transparency on costs and deliverables is less than desired. Network Rail is effectively a monopoly as the owner of the national rail network, but we suggest it should not be treated any differently to other suppliers with which funders may contract. We support Rail North's view that at the moment, Network Rail processes are cumbersome and bureaucratic.

Transport for the North is developing a long term investment programme which will lead to a transformation in rail connectivity across the North of England. We do not consider that the five year Control Period planning process adequate to achieve this level of ambition and commitment to deliver transformational investments (Consultation question 19 refers). Longer term planning is needed, with certainty of future funding and an efficient planning process that recognises the role of Transport for the North, as a Statutory Sub-Regional Transport Body.

As we have explained earlier, the goal of Transport for the North is to achieve transformational improvements to rail provision in the North which will support the North's aspirations for economic growth. The rail industry has a key role to play in achieving this vision. Delivering transformation means that the way we work with Network Rail and HS2 Ltd will require a genuine partnership. This will include alignment of operational structures and more efficient contractual relationships. Your inquiry is therefore extremely timely and we trust that our views are useful in your review of the future structure and funding of Network Rail.

Yours sincerely

John Cridland

Chair

**Transport for the North**