Shaw Report consultation responses from UK Power Networks Services

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

Through a reduction in the scope of works undertaken by Network Rail, we believe that the company could be refocused on three key areas which will ultimately lead to a more economical railway which serves the travelling public and freight movements.

To establish this new focus, we believe that a number of changes to the industry would help facilitate it:

- Integrating the TOCs and associated Route into one organisation (with possible change to Route boundaries)
- Franchising the TOC / Route organisation
- Bring FOC into Network Rail's wider business (using a Franchise model)
- Outsource all services related to the delivery of the four main functions (operate, maintain, renew and enhance the network)

The three key areas of focus would be:

1. Strategy and Innovation

Network Rail would provide strategic direction and oversight on different functions in the railway industry. In practice this would involve Network Rail making decisions on the long term development of the railway and providing requirement specifications to the wider industry for them to develop a solution.

This strategy would help deliver both regional and national governments overall strategy (for example, a National Electrification Plan which aligns to the political landscape).

2. Governance

Network Rail would provide governance and oversight (with a prioritisation on Safety) on the four main functions:

- Operation (Better TOC and Route Collaboration)
- Maintenance (To include Track and Railway Systems)
- Renewals (To include Track and Railway Systems)
- Enhancements (To include Track and Railway Systems)

The governance would be in the form of a set of Safety, Process and Technical related Standards that would ensure uniformity, to a reasonable level of detail, between the different routes.

3. Efficiency

Through the further segregation of the different Routes, Network Rail would continue seek to identify best practice between the competing sections and enforce these on underperforming Routes (with possible fine or loss of franchise due to poor performance).

This methodology would also be applied to the contractors used to provide support to the four main functions. There is also the possibility of moving the responsibility of implementing the works associated with the four main functions to within each Route.

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

We believe that through the integration of the Routes and associated Train Operating Companies, there would be scope for a reduction in the cost to the customer through a more aligned working relationship and clear accountability.

The travelling public and other end users such a freight companies does not appear as prominent as perhaps it should be.

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

Due to its strategic importance to the UK economy it is essential that Network Rail is accountable to for its investment decisions.

Whilst there are a number of organisations which hold Network Rail to account, we recognise that each of them have their own area of speciality and focus, and are required to ensure that all stakeholders have a voice regarding the operation and development of a key piece of national infrastructure.

Network Rail, whilst they must be held accountable for their actions, must be able to develop and deliver long term strategies with minimal changes due to political interference.

There needs to be a level of accountability to the travelling public. This could be similar to the Broad Measure Scores used within the Electricity Distribution Regulation framework with a 'pain – gain' element.

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

It was interesting to note that the main customers defined in section 4.2 are the Train Operating Companies, the Freight Operating Companies and the Government. Furthermore, in section 4.9 it was stated that Network Rail are currently incentivised to treat the ORR as their main customer. We

believe that it should be firmly established that the railway passengers and freight shipping organisations are the key clients, with the organisations mentioned recognised as key stakeholders in meeting these clients requirements.

It may be this separation of focus between Network Rail and the railway passenger which leads to the misalignment of measures to ensure the most economical railway network.

We would suggest that by bringing the TOC's and FOC's into the wider Network Rail business, with the possible alignment with associated Routes, this would refocus the organisation and place incentives in the right areas to reduce the overall costs related to running the railway.

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

It is difficult for us to comment directly on this as we have not reviewed the performance related reporting however as a general railway customer, we believe that the industry could be realigned to focus more on the requirements of the railway passengers and freight shipping organisations through the development of a more streamlined organisation with customer based incentives in place.

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

Customers need to know that their input is being taken seriously. There needs to be better communication on how Network rail have identified and are addressing the public's issues.

Through the combination of the Routes and TOCs into a Franchise, the railway passengers along with all stakeholders and freight shipping organisations appropriate pressure could be centralised on an organisation that both runs the railway and the train service.

This would then allow Network Rail to focus directly on the Strategy Development, Governance and Efficiency.

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

As mentioned in section 4.13, fines issued by the ORR to Network Rail are essentially a fine on the taxpayer. Through franchise of a combined Routes / TOC organisation, along with the cascading the responsibilities, these fines could then be passed onto a private organisation. The same

methodology applies to penalties for overspending as this work would be subcontracted out, with commercial constraints set and monitored by Network Rail.

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:

■ physical, political or economic geographies?

■ service type, e.g. commuter services, inter-city services and regional services?

We believe that there would be benefits of efficiency through the integration of TOCs and Routes. To facilitate this, there may be a change required to the Route boundaries. We are currently not in a position to provide any specifics on this proposal.

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?

A combined TOC and Route organisation, which would be franchised, would enable Network Rail to focus on (i) Strategy and Innovation, (ii) Governance and (iii) Efficiency and to impartially impose financial penalties based on safety or performance related targets.

There needs to be greater alignment of standards applied across routes, this is best driven from the centre.

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

Strategic decisions regarding major infrastructure technical specifications need to be kept at a central location. This leads to a procurement function which, whilst the assets would be owned by the route, would facilitate the purchase of said assets and leverage the economy of scale.

In addition, the centre should be able to offer the most cost effective vehicle for encouraging and developing innovation.

There needs to be some level of coordination of works, not just for the disruption to the railway, but also to prevent too much or too little work being out to market at the same time. The tap full on and then turned off approach increases costs and leads to skills shortages.

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?

There needs to the right people in place, not just with the technical knowledge and experience but also with the right mind set to help develop a collaborative culture. Good communication is essential to ensure that the centre and the route own the strategy and deliver the required standards. Meaningful, clear and simple to produce metrics need to be established and used to drive the business.

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

We would like to be involved in the development of the future railway regarding carrying out work for Network Rail as well as potential investment opportunities. As UK Power Networks Services are backed by a strong international organisation that purchases major infrastructure assets the development of a Franchised Route / TOC organisation would present an opportunity for investment.

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

Strengths

- Network Rail has view of national picture
- Network Rail has a highly skilled work force focussed on keeping the trains running
- The current CP5 planning process identifies the key works that need to be undertaken within the control period for each NR route section
- Overall system planning and works integration should lead to more effective works planning

Weaknesses

- Network Rail are heavily influenced by changes in the political climate and therefore not always able to pursue what is best overall for the rail network

- Competing for funds results in winners and losers and overall higher costs due to inefficiencies with 'tap on – tap off' approach
- Planning often appears not to be fully thought through before going to market
- Network Rail appears not to have sufficient competent resources in house
- There can be a lack of co-ordination to consider planned works that interface with each other, better planning could lead to the reduction in abortive works
- The supply chain experience is not used at the early planning stage to assist in option development, deliverable solution development and accurate budget forecasting
- Individual works package planning and scope if very slow and can be poorly defined particularly internally generated Grip 4 outputs provided to tenderers
- As debt on Government books always pressure to patch things up – this can lead to it being more expensive

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

Strengths

- The Regulatory Control Period planning process identifies the key works that need to be undertaken within the control period for each Route section
- Skilled work force

Weaknesses

- Split packages of work leads to inefficient working and significant wastage in construction output
- Regulatory periods appear too short
- Difficulty obtaining possessions
- Current model too short to bring in Graduates and Apprentices

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

Strengths

- Larger projects with higher volumes allow the potential for better overall planning
- Should be possible to provide works to fill in prolonged gaps under a framework arrangement

Weaknesses

- Flow rate of works under framework agreements severely impact the ability of the contractor to deliver.
- Works are either drip fed or issued in bulk which does not allow for sensible work planning
- Possession driven works need significant lead planning to secure possessions and work readiness
- Long lead items cannot be provided at short notice
- Needless wastage occurs due to poor planning
- Small volume works does not allow for contingency to be built in using other works to fill gaps in the programme
- Poor work planning and prolonged information delays have severe impact upon prelims.

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?

The key need for any infrastructure plan is to look at all of the elements that need to be delivered and how they dovetail into each other and how they can all be delivered in the most efficient and effective way.

By breaking up the delivery components and removing the co-ordination many major programmes of works fall into delay and there in no ability to build a contingency work programme to fill the gaps when works are delayed for whatever reason.

Procurement strategies of multiple works across multiple contractors will always mean a far more fragmented programme of delivery and removes the ability to be flexible and to develop programmes which can adapt to changes in the delivery and design processes.

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

- Clear definition of Responsibilities and Accountabilities for the different roles of the stakeholders
- Ownership of the end to end process – i.e. the passenger journey
- Clear and defined processes and procedures

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

- Early supplier engagement
- Long term planning
- Asset management (i.e. establishing a central records database)

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?

- The time between periodic reviews is too short
- Perhaps periodic reviews could be staggered across the network, keeping the focus on Routes
- Engagement with the supply chain during the periodic review process

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

- Safety
- How it impacts the end user
- What metrics are in place and how can these be used to incentivise both positively and negatively
- Long term Asset Management Performance
- Project completion timescales (which requires clearer identification and involvement of all stakeholders)
- Efficiency of the railway system as a whole (including the interface between Routes and TOCs)