Transport for Greater Manchester

Submission by email

24 December 2015

shaw.secretariat@shawreport.gsi.gov.uk

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

Dear Nicola,

The future shape and financing of Network Rail – Consultation on the Scope

Firstly, can I express my thanks for the opportunity to contribute to your consultation on the scope of the review looking at the shape and financing of Network Rail.

It is evident that your team has done an excellent job in recognising the considerable range of challenges facing the effective provision of the Rail Infrastructure for the nation.

TfGM is responding in its role as the public body, on behalf of the Greater Manchester Combined Authority (GMCA), with responsibility for preparation of Greater Manchester's Local Transport Plan (LTP).

TfGM has a statutory duty to keep under review the railway passenger services provided within Greater Manchester and its surrounding area - the safe and effective operation of the infrastructure that these services run upon and the realisation of the development of future rail capacity and facilities are critical to the region's interests.

The current LTP recognises that the rail system is particularly important for economic growth as it has the scope to both support more commuting and to provide crucial links between our economy and markets elsewhere in the UK. This will be developed further in the new LTP, to be published in 2016 as part of our 2040 Vision and Strategy.

With that context, the operation, management and strategic planning of the rail network is identified as an essential priority for the GMCA.

Network Rail's functions are incredibly diverse, encompassing many different business types – the way it sees these different functions should reflect this diversity, rather than a 'one size fits all' approach. Whilst we see it to be beneficial for individual functions to be separated out, an independent central business planning body working in partnership with relevant regional counterparts, should retain a strategic overview, coordinating efforts at a national level (looking at more than just Rail needs), preferably looking at longer term planning than the current five year control periods. 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. These include greater focus on local requirements, greater accountability, the ability to leverage local knowledge more effectively in prioritising investment decisions and in holding Network Rail to account, more locally tailored and potentially more cost effective design solutions.

The Operational and Maintenance function should likewise be a fully autonomous unit, but regionalised to align with the structure of its core customers – in the case of the North of England, it would seem to make sense for this to replicate the area of responsibility of Rail North, encompassing the two north of England Franchise areas; this would allow operational alignment and thus better coordination across the region, rather than on the north / south intercity 'all rails lead into London' approach that we currently have (*q.v.*).

It may also be advantageous for other assets to be managed by private organisations or regionally based partnerships. Stations, for example, would benefit from local management, using central funding allocated to regions, to contract to a wider range of local and regional suppliers to fulfil the work. Supplementing this by local funding and private investment creates the opportunity for more efficient, long term asset management and incentivises regional partners to deliver local benefits.

We would like to see Network Rail undertake a more complete review of who their actual customers really are and how it can best serve them. The 'true' customers are those people who pay the fares and pay their taxes to fund the network, rather than those who have a contractual relationship through the access regimes. These customers and the communities they live in and by default their representative organisations and authorities acting on their behalf are where the focus needs to be.

Network Rail accountability to Local Transport Authorities is not at all sufficient. 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.

Our experience is that there is a need for a strengthened sponsor role at network rail for development and delivery of enhancements, more structured requirements management is essential to give visibility and inclusivity in change control to all stakeholders. Weaknesses in these areas have led to significant cost increases and programme delays on a number of schemes as more detailed design emerges. While we recognise the specific complexities of delivering schemes in an operational railway environment we believe that alternative bodies, such as TfGM, have the capability to deliver projects of this nature more efficiently.

We would strongly request that in any deliberations that you are mindful of the points raised about alignment of strategic organisations and the changing funding, planning and regulatory environment emerging as a result of devolution. This is the present and the future of how rail services are going to be planned, operated and administrated and Network Rail must change to reflect that new environment and align its thinking accordingly – this is the absolute priority for us.

Network Rail needs to 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 must be reformed and regulated to reflect a greater accountability, with integrated planning and implementation processes recognising the needs of those interested parties.

It should be noted that separate responses are likely to be submitted by Rail North and by the Urban Transport Group (formerly the Passenger Transport Executive Group). TfGM is a member of both of these organisations.

You have asked for responses to specific questions, which I have included in an annex. I hope you find this helpful and we stand ready to provide further assistance as required.

DR JON LAMONTE

Chief Executive

Transport for Greater Manchester

TfGM's response is structure around the questions posed within the consultation document.

Network Rail's Structure

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

Network Rail's functions are incredibly diverse, encompassing many different business types – the way it sees these different functions should reflect this diversity, rather than a 'one size fits all' approach. These different functions should be reinforced as separate and autonomous business units and then re-examined to see if they are actually best suited to be part of the Network Rail structure.

Likewise, the assets of the network are also different; linear asset groups such as track, signalling, OLE, structures and property assets such as stations degrade differently, have different failure modes and also have a far more direct interface with the customer making them fundamentally different from Network Rail's other functions. The customised management of these should be considered.

Whilst we see it to be beneficial for individual functions to be separated out, an independent central business planning body working in partnership with relevant regional counterparts should retain a strategic overview, coordinating efforts at a national level (looking at more than just Rail needs), preferably looking at longer term planning than the current five year control periods.

This planning function should probably sit outside of Network Rail and then commission the various infrastructure projects through Network Rail or other similar organizations.

The Operational and Maintenance function should likewise be a fully autonomous unit, but regionalised to align with the structure of its core customers – in the case of the North of England, it would seem to make sense for this to replicate the area of responsibility of Rail North, encompassing the two north of England Franchise areas; this would allow operational alignment and thus better coordination across the region, rather than on the north / south intercity 'all rails lead into London' approach that we currently have (*q.v.*).

It may also be advantageous for other assets to be managed by private organisations or regionally based partnerships. Stations, for example, could be managed by allocating central funding to regions, who would have the autonomy to contract to local, regional or national suppliers to fulfil the work. Supplementing this by local funding and private investment creates the opportunity for more efficient, long term asset management and incentivises regional partners to deliver local benefits.

In summary, based upon the above revised structure, the central planning team, which would be outside of Network Rail, would decide the strategy and scope of improvements and then 'contract' Network Rail to deliver these projects and the maintenance of the network, overseen closely by the new central body.

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

We would like to see Network Rail undertake a more complete review of who their actual customers really are and how it can best serve them. The 'true' customers are those people who pay the fares and pay their taxes to fund the network, rather than those who have a contractual relationship through the access regimes. These customers and the communities they live in and by default their representative organisations and authorities acting on their behalf are where the focus needs to be.

Network Rail needs to recognize the needs of the specific communities it serves and the impact that the management and development of the infrastructure it administers has on them and their cohesion and prosperity. A key example is the role of the station within the community it serves. There is a complete misalignment with how stations are seen within the Network Rail function and the role they play in the villages, towns and cities in which they are situated. These assets form part of the key architecture of the civic infrastructure and act as a gateway to the regions they serve; these are more than just the connecting portal to the transport network. This is also emphasised by the operational structure for stations with a disproportionately small maintenance resource allocation compared to other asset areas.

Local authorities and other stakeholders see great potential in station assets, an external facing gateway to everything from large and diverse cities with multimodal interchanges through to small communities, creating the opportunity to act as a focus of civic pride. From a systems approach this creates a fundamental disconnect between an insular railway operation, and

centres of population who require integration far beyond the front door of the station.

We would like to see Network Rail take a greater interest in the role that stations play as part of the wider community. Planning for stations should extend well beyond control periods and franchise lengths, aligning with asset life and regional spatial planning. We believe this can best be achieved by devolving responsibility for them to regional partners, to the communities that they serve. There are many redundant properties within the stations estate that could be brought into local community use, at the heart of the populations that it serves.

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

There is no real emphasis on accountability to the 'true' customer (see Question 2), but only accountability based on metrics that form part of its commercial relationships (such as TOCs). We obviously recognise that these 'true' customers are more distant to the day-to-day Network Rail operations and that on a daily basis TOCs/FOCs are still the key customers. It is evident that their needs are often a lower priority than Network Rail's own internalised priorities or its regulatory focus. TOCs and FOCs are the major customers from a perspective of income through track access agreements and charges, yet it is evident that their influence is incredibly limited when strategic decisions directly affecting them are taken. These decisions have critical and fundamental impact on their services and thus their relationship with the passenger; this is clearly at odds with the fact that (in the case of TOCs), most of these services are specified through franchise agreements – representing the wider public interest.

Network Rail accountability to Local Transport Authorities (who are often treated as less important third parties) is not at all sufficient. TOCs manage the relationship with Network Rail on behalf of DfT and Rail North, but they do not have sufficient influence and have no choice of 'supplier'. This must somehow be addressed, as the relationship is not balanced and certainly does not reflect the needs of passengers.

We would like to see a review of key performance indicators for Network Rail which reflect this end user rather than PPM alone to help provide the focus to TOC's FOC's and the ultimate customer. PPM can lead to perverse behaviour, as TOCs/FOCs aim to reduce PPM impact rather than maximise the passenger

experience. For example, operators may decide to allow an ordering of trains during a perturbation of operations which minimises PPM breach (and thus payments) rather than maximising positive passenger experience and as such Network Rail should work more closely with TOCs during disruption to recover services in a manner that better considers what is in the passenger's interests.

Perhaps this approach will increase the roles of Transport Focus or the ORR, however the twice yearly National Rail Passenger Survey is not conducted sufficiently often or exhaustively to give a near real time view of customer feedback, this would also need reviewing to establish a more real-time, valuable access to passenger experience information.

The TOCs are representatives of Rail North with regards to managing our interests with Network Rail and if they are unable to get the right outcomes, then in turn they will frustrate the plans being developed by Rail North for strategic service developments and capacity growth within our region. We would therefore strongly request that franchisees have greater influence (on our behalf) over Network Rail's decision making. Rail North should have the same strategic relationship and influence as the Department currently has, as the future specifier and funder of franchised rail services in the North of England.

From the perspective of strategic regional development projects, it is imperative that there is better coordination between Network Rail and the Regional Authorities to ensure that Network Rail development plans reflect the aspirations of the local regions and that short term commercial decisions do not prevent wider benefits being realised at a later date – the sale of Network Rail assets which will have a direct impact on aspirations for devolution for instance. Decisions of this nature need full consideration through discussion and consultation, with the long term effects being carefully examined before centrally taken decisions are enacted to avoid restricting expansion or development of these railway / community assets. Specifically for GMCA we believe it is essential for Network Rail understand the development and regeneration potential of station locations, in line with the GM spatial framework, before releasing any assets in our area.

As illustrated earlier in our response, regional accountability needs to extend across the regional boundaries of the Network Rail Directorate structure - Rail North would like to see a clear, direct interface with Network Rail covering the whole of the North, as opposed to dealing with two separate zones currently aligned on the basis of North / South intercity travel to London rather than

regional decisions relevant to Rail north, which is additionally aligned on a cross regional East /West axis.

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.

Transport for the North, Rail North and TfGM's devolved role therefore needs to be fully recognised in any revised structure and planning processes with greater emphasis placed on customers who may wish to fund enhancements on top of the central investment programme. As a key partner in Rail North and Transport for the North, GMCA is envisaged to be a key stakeholder and contributor to funding for rail infrastructure and assets across GM.

Rail as a whole needs to recognise that its customers are not solely those who are using the Rail Network, but should include those customers using other transport modes, ensuring planning is aligned with the needs of these other users, in a more cohesive overview - Local Authorities (working with LEPs and regional bodies) are often the strategic body responsible for developing the wider transport system which the rail network has to interact with and as such are ideally placed to contribute that wider strategic view.

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 that at present.

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

Network Rail is not currently meeting franchise customer expectations; it is not currently fit for purpose to meet the ambitious plans that are held within

the two new north of England franchises, whose success is based on the ability of the infrastructure to deliver key enhancements and greater network capacity. Network Rail's current delivery to the customer is in three forms:

Reliable rail services – performance of rail services in Greater Manchester continues to run below other parts of the North and well below that enjoyed by services in the South of England;

Delivery of renewal and enhancements works – collaboration in this area is starting to demonstrate benefits in managing customer expectations during railway closures or replacement services; however, more can be done to improve the impact on passengers. The poor delivery performance of Network Rail on projects in time and cost continues to frustrate Greater Manchester – only a transformational improvement in delivery will see this change; and

Information during disruption for passengers continues to be challenging. Operational communication and infrastructure recovery are the core strength for Network Rail but much more work is necessary to ensure the information given to operators and passengers is focussed on managing expectations and offering alternative travel advice until the service is fully recovered.

All of the above said, one of the things that Network Rail has achieved is to help to create one of the safest railways in Europe, which must be seen as one of the core passenger needs and rightful expectations. This safety factor has increased passenger confidence and as a result contributed to passenger growth.

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

Centralised pressure applied on a national level does not reflect the progress being made in the devolution of responsibility for our transport network to regional authorities. A recognition of the emerging roles of these organisations should be reflected in the 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.

There needs to be a stronger relationship with passengers and their interests protected, especially during times of disruption (both planned and unplanned). At present, these primary 'customers' have little say as to arrangements put in place on their behalf and are often treated on the basis that the Industry knows best, whereas in reality it is on the basis of what is better or easier for the industry, rather than for the customer.

There also needs to be more direct accountability to those customers funding and facilitating enhancements outside of the standard model, especially if we hope to attract alternative methods of funding infrastructure improvements in the future.

It is important that the passenger has a stronger voice in all of this and not be reliant on their interests being voiced by organisations which may have commercial or political involvement or motivations; we would therefore see a much stronger role for passenger representative organisations such as Transport Focus and those representing the needs and views of disabled passengers and others with specific needs to enable them to use our rail network.

We are aware that the role of the ORR is being re-examined. It is important that their independent function protecting the rights and interests of passengers through the operating of the license conditions is maintained and possibly even strengthened, with a focus on ensuring the network operates with the emphasis placed on the interests of the passenger using it, rather than on what may seem to be the easiest operational solution at the time.

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.

Incentives that 'reward' Network Rail for industry benefits such as passenger/revenue growth and wider economic outcomes are required to provide greater encouragement to deliver projects to accurate timescales and budgets are a good idea, but this needs to be balanced by a direct correlation

with revenue loss risk on failure to deliver infrastructure schemes that impact on franchise revenue - i.e. Network Rail should compensate TOCs where it fails to deliver the necessary infrastructure to support revenue-generating service enhancements – there needs to be more incentivised risk sharing.

In terms of project delivery, clear sponsorship and ownership of projects is vital, complex projects must have systems engineering approach to manage the greater technical integration risk. In project management, greater efforts from Network Rail on actively managing projects, rather than attempting to transfer all responsibility to sub-contractors, would pay dividends. Alternative models for others to deliver projects on the rail infrastructure estate, albeit to Network Rail standards, should also be considered.

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?

From a Rail North and TfN perspective, getting the working arrangements right with Network Rail is important. The current route structure does not work well with devolved bodies, and greater regional accountabilities. That is why both Urban Transport Group (UTG) and Rail North have argued for greater alignment with regional bodies. To cite a recent example, Rail North attended two workshops to consider risks, cost and timescale issues with the CP5 enhancement programme. We were included at the insistence of DfT, with some resistance from Network Rail. There was then no feedback or briefing prior to the Secretary of State's announcement of the electrification pause. Cross-industry communication and involvement in option development and decision-making are the learning points from this: we can and do add value when involved early enough.

GMCA 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 and Rail North) and enhancements (through the train operators, Rail North, DfT and other investors). There should be equitable executive correlation between Network Rail and its customers in the North of England – an 'MD of the North' and supporting team is required to interface at the correct level with Rail North and their partnering TOCs – but this should

not duplicate existing structures (and thus double the cost), but be part of a wider reorganisation of the directing function.

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 (see answers to Questions 6 & 7 above).

Whilst there are some downsides to this re-structuring, we propose that these are outweighed by the benefits of having an aligned Network Rail aligned with a regional delivery partner covering the same area of the country.

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 is out of touch with regional needs and aspirations and un-focused local route management unable to utilise advantages arising from regional 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) and day-to-day maintenance be retained at a route level, again with a greater degree of engagement.

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

There is a balance to be had between awarding contracts at a national level to get economies of scale and the advantages of employing smaller organisations and SMEs to undertake work regionally, where their performance can be more closely monitored and regional knowledge can be a distinct advantage.

Being able to secure and coordinate scarce resources at times of peak demand is very beneficial where there is limited industry resource (such as signalling expertise, of which there is a real shortage); however, in other cases where there is more availability of resources within the regional markets (such as 'civils'), it makes sense to allow competitive commercial pressure to promote opportunities for better value for money within the contracts being awarded. This is also consistent with the central government policy of including SMEs within Government procurement exercises and results in regional communities benefitting from local enhancement work.

Local experience in GM demonstrates that Network Rail contracts seem to be vulnerable to regular instances of 'scope creep' and standard changes necessitating additional specification and cost creeping in to bolster turnover and margins (profit) for contracting partners.

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?

It needs a much improved capability 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.

Improved client and requirement management is also necessary. The scoping of schemes and transfer from strategy to development, and then to delivery, appears disjointed across Network Rail. This is further compounded when schemes are centrally budgeted; there appears to be a misalignment between schemes costed by engineering or strategy for the Control Period planning and the through external suppliers for delivery.

12. Drawing on your previous experiences where relevant, what would be 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 such as Rail north / TfN. Any restructuring outside of that realignment of devolved responsibilities

would import further complexity. Acknowledging the skills shortage and inefficiencies of the current structures, we must become better aligned and effective in working between transport bodies such as TfGM and Network Rail.

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

There are evident strengths in current planning for enhancements considering the breadth and complexity of railway enhancement schemes. The consideration of the capability and capacity improvements as part of a wider route study show a high level of strategic ability, however, more needs to be done to integrate national schemes such as HS2 and local strategic frameworks. There also appears to be a lack of flexibility to adapt the GRIP process to the need of specific schemes and programmes.

This points to consideration of a different approach to planning and early scheme development of major schemes and upgrades, perhaps not within Network Rail (see above). Consideration should be given to an alternative approach to standard GRIP for early design feasibility. This should include a requirements management and systems engineering approach, allowing elements of scheme design to progress to an appropriate level of detail to give certainty rather than apply a single GRIP level design across the scheme. Comparison with HS2 design outputs may be helpful where some elements are designed to GRIP 4 equivalent and others in early stages of development. The output gives certainty in areas of risk whilst allowing flexible design process.

The GRIP process does not always easily align to local authority or third party funded processes; too often it is the case that a solution is identified before the problem is fully defined. Also, the GRIP process needs to recognise the multi-modal impact of Network Rail options and solutions.

The IIP/Control Period/Strategic Business Plan process does not fit well with the Local Authority funding cycles, in particular the Local Transport Plan process, with a disjoint of planning years. The flexibility to input schemes during a current Control Period cycle for implementation is weak at present, which does not assist Local Authority input.

Another weakness in planning such works seems to be the cost planning stages, assumptions management, ability to manage a separate design and build contract (cheaper in theory but imports the risk of site issues or clashes

onto Network Rail to resolve - becomes very contractual), and the impact on other schemes or services while works are ongoing. For the last point, this is most widely being felt with potential access clashes, with future HS2 works, and with works delivery for OLE and signalling.

Network Rail are often vulnerable to taking an approach driven by a 'railway-centric' view of the world, rather than learning from wider asset management approaches (whole lifecycle costing for example) this has led to extremely slow uptake of technologies such as LED lighting and modular station facilities/components.

Finally, where commercial properties and stations portfolios are concerned, this may have been influenced by the heavy rail infrastructure view rather than seeing stations as what they are in the main – more akin to high street environments - where tried and tested solutions could easily be adopted.

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

Our experience is that there is a need for a strengthened sponsor role at network rail and more structured requirements management to give visibility and inclusivity in change control. Weaknesses in these areas have led to significant cost increases and programme delays on a number of schemes as more detailed design emerges. Some examples follow.

TfGM frequently work with Network Rail to deliver upgrade works at interchange stations and park and ride sites, the common issues we have identified are:

- Rigid approvals process, which are poorly communicated and inflexible to emerging project requirements
- Changes to requirements post design
- Poor design advice, which need to be rectified later in the design process leading to increased cost, complexity and duplication of work.

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 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 new alignment. On 06/08/13, NR formally advised that in order for the Skylink Bridge to proceed it would require a re-design.

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. NR subsequently provided advice at a late stage that the scheme would need to comply with additional guidelines applicable to schemes on Trans-European Network (TENS) routes. Network Rail eventually accepted the original design after further delay.

North West Electrification

Our experience of delivery of electrification has been that of mixed performance. The electrification over Chat Moss was late with reported issues of poor installation and challenging ground conditions which required remedial work and line closures over the first four weekends of the May timetable change. Late notification of this project delay left operators with no opportunity to plan contingency plans and communications to passengers. The Ardwick electrification over ran by two months however the Stalybridge

remodeling was delivered on schedule, as did the Chorley Flying Arches. Farnworth Tunnel electrification is an example of very close working between Network Rail and partners including all TOC's. Timetable planning, passenger communications and contingency planning has worked very well with regular planning meetings, attendance on site during opening few weeks and regular conference calls / progress updates. Although Network Rail can often be focused on the operational and engineering messages from such a scheme this project has seen improvements the relationship with GM rail companies, stakeholders and passengers, albeit the blockade works overran by two months and the energise date has now slipped by 12 months. We also continue to be concerned about the delays to the North TransPennine electrification.

The evidence indicates that there is a lack of knowledge or acknowledgement of the size and complexity of the infrastructure issues involved. A more open planning process for delivery, allowing contingency time at break points through the project to enable recovery may be appropriate, along with more open information flows between those on the ground and those managing the projects.

Victoria Station upgrade

This project provides an example of a large, complex scheme where TfGM provided funding and client requirements for the delivery of Metrolink infrastructure as part of the wider station upgrade works. There were a number of challenges which led to significant delays and cost increases. The services provided by Network Rail were project and commercial management, contract administration, site supervision and design management. Our experience on this project was insufficient accountability to TfGM as client for the works commissioned. Network Rail failed to meet TfGM requirements and did not implement procedures to meet governance structures throughout the delivery. The project lacked an overall integrated programme to allow full forward planning and risk analysis, decisions were taken in relation to TfGM requirements without including TfGM and lost or 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 and 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 a need for a strengthened sponsor role at network rail and more structured requirements management to give visibility and inclusivity to change control.

TfGM Delivery Capability

While we recognise the specific complexities of delivering schemes in an operational railway environment and Network Rail's strengths in delivery of increasingly in live brownfield sites (most notably at Birmingham, and Farringdon & Blackfriars we believe that alternative bodies, such as TfGM, have the capability to deliver projects of this nature, albeit to Network Rail standards. This would also open up some competition and offer benchmarking opportunities.

TfGM has a proven track record in the design and delivery of transport infrastructure on time, on budget and in line with stakeholder expectatations. Two examples in this regard would be the new Interchanges in Rochdale and Wythenshawe town centres that have been brought into operational use over course of last two years.

Rochdale Interchange opened to the public in November 2013, in line with stated Public Completion timescale of the end of 2013. The scheme was developed in partnership with Rochdale Council and Rochdale Development Agency, given its strategic importance to both Rochdale Town Centre and the wider borough. There were a number of complex and challenging interfaces – specific examples being the integration with the previously delivered Rochdale Hydro-Electric Power (HEP) Plant, the interface with the recently opened new Metrolink 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. (Specifically 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 opened to the public in July 2015, ahead of the previously stated Public Completion timescales of the end of 2015. The scheme was delivered in partnership with Manchester City Council and the Wythenshawe Regeneration Team and, given the scale of the construction activity taking place in Wythenshawe Town Centre at that time (including the new Manchester Airport Metrolink Extension and the associated Wythenshawe Town Centre Stop), close dialogue with Elected Members and the public more widely was essential in order to ensure that disruption was kept to a minimum and that all stakeholders were kept informed, Initial feedback from Bus operatiors and passengers has been extremely positive.

Finally, we would also argue against relying on tier 1 contractors to deliver work within a non-operational environment, e.g. stations, that could be delivered by regional or 'high street' contractors at a significantly lower cost.

We believe this contributes to our argument for Station Devolution and adopting a role as station infrastructure operator. Moving away from Network Rail or TOCs delivering the works and exploiting a more streamlined and effective contracting strategies with regional and local suppliers.

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

It varies between different asset disciplines; there are examples of good practice in projects of all sizes and likewise examples of poorly executed projects. The issues arise from the impacts as a result of cost and delivery overruns, as in smaller schemes they can go unnoticed, whereas in larger schemes the impact is all to evident (Kings Cross last Christmas is a good example of the impact of such difficulties).

Network Rail's processes are intensive, cumbersome, bureaucratic and very expensive – accounting for a high proportion of overall funding requirements. Smaller schemes should require a more measured and pragmatic process at reduced cost.

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?

We would suggest looking at lessons learned from the delivery of other major non-rail infrastructure projects such as the London Olympics and major project delivery models used in industries such as the electricity and gas sector.

There are a multitude of international examples where a whole different philosophy to infrastructure management and improvement is far advanced of our own. The most obvious examples are those of the Japanese Railway companies and MTR of Hong Kong. These models are inadequately exploited by Network Rail. Recent trade missions have taken place from HMG to China, Singapore and Malaysia to try and attract inward investment to the UK, yet for Network Rail (much as Highways England or indeed HS2) there is no national vehicle for these to be exploited. Private sector funding has also been

achieved in some locations (Hull electrification for example) but this has been the exception not the rule.

Specifically in relation to stations, overseas organisations take into account the effect that the station has and the impact on the value of the commercial and residential property in the vicinity and exploit this to offset the costs of the improvements to the network; in the UK we seem almost completely unable to do this. Other countries are already demonstrating the case for exploiting the value that the railway brings to the wider community and sees the whole service offer on a much wider scale, we need to do the same in the UK.

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 TfGM, Rail North and Transport for the North.

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

The planning and delivery of rolling stock cascade sits far too outside of the Network Rail scope of works and control currently. The plans developed by the Department and TOCs need to have more involvement with Network Rail projects teams, transport bodies and operators.

The deliverability of schemes with new rolling stock introduces a number of considerations and impacts, not least of which are step free access (RVAR), stopping distances and signal interlocking changes, platform lengths and furniture / signage; we don't feel these considerations have enough visibility or foresight to allow accommodation works to be fully understood and planned.

This is a particular concern for TfGM, given the significant fleet changes specified in the forthcoming Northern and Trans Pennine Express Franchises.

Other processes to examine should include the whole Schedule 4 and Schedule 8 'money-go-round' and the current relationship between Network Rail and the financing of the Franchising process; this may be counter-productive and we welcome the parallel consultation being undertaken on this aspect of the industry.

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?

Short term decisions are often taken that are not aligned with regional plans and aspirations, which take a much longer view. Local regions plan on a much longer basis that the Control Periods / Franchise lengths or even parliaments and as such the current processes result in too short an outlook and as such place restrictions on ambition and funding opportunities, as these are often reliant in longer periods of time to realise an acceptable return on investment.

As already stated, the GRIP process does not always easily align to local authority or third party funded processes; too often it is the case that a solution is identified before the problem is fully defined. Also, the GRIP process needs to recognise the multi-modal impact of Network Rail options and solutions.

The IIP/Control Period/Strategic Business Plan process does not fit well with the local authority funding cycles, in particular the Local Transport Plan process, with a disjoint of planning years. The flexibility to input schemes during a current Control Period cycle for implementation is weak at present, which does not assist local authority input.

With respect to stations specifically there is a fundamental disconnect between the long-lived nature of some of the property assets and the ability to effectively plan and provide truly reflective planning assumptions. This tends to mean that large-scale projects such as the roof structure of (typically) Managed Stations effectively exhausts much of the expenditure on the rest of the assets.

This is compounded by the position that Network Rail is effectively Incentivised to perpetuate provision, i.e. essentially preserving the existing stations asset base as is, rather than working toward a more sustainable provision that more accurately reflects the needs of today's customers, rather than one that existed decades ago.

This is evidenced by the volume of redundant station buildings that exist across the network and the total absence of a programme of removal or utilisation of these assets. The current funding arrangements encourages Network Rail to retain them as they get funding for them – whether they do anything with them or not and given that these assets characteristically degrade slowly, this problem may not manifest itself for many years to come.

The lack of effective station categorisation, which underpins the cost modelling for the Long Term Charges and period review generally, is also a key issue. This system is non-dynamic and has not changed for nearly 20 years – during which time passenger numbers have doubled across the network as a whole, and different stations have assumed different roles as the train service has evolved.

The period review process at IIP stage needs to be more joined up across the industry and regional stakeholders and particularly with (from our own perspective) regards to the future strategies of TfGM, Rail North and TfN as the respective agencies will have their own strategies and requirements that need to be aligned.

This then has the opportunity to bring a positive joined up strategy into being, enhance funding opportunities and be a basis for future works delivery. This will become increasingly important in a more devolved world and with the emergence of both the Northern Powerhouse and Digital Railway.

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

We 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.

This is the present and the future of how rail services are going to be planned, operated and administrated and Network Rail must change to reflect that new environment and align its thinking accordingly – this is the absolute priority for us.

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 must be reformed and regulated to reflect a greater accountability, with integrated planning and implementation processes recognising the needs of those interested parties.

<u>Financing and funding of the company</u>

21. Do you have any views on whether the RAB remains a relevant concept in the Railway, and, if not, what should replace it?

If the source of financing (Government) is the most cost effective, then the RAB is more beneficial than borrowing at standard commercial rates. However, in the past there has been no discipline in the use of this facility and seemingly no plan to reduce the outstanding liability – in effect we have become careless with the facility – easily acquired money is easily wasted. In relation to the RAB, there seems to be no plan to ever reduce this borrowing, so it will remain a millstone around the neck of the industry in perpetuity.

We would wish to question as to whether Network Rail gets competitive prices for the projects it undertakes? Is the knowledge that there are 'unlimited' funds behind the organisation an opportunity for suppliers to inflate costs? It is often levelled at Network Rail (possibly unfairly), that projects it undertakes could be completed privately for a fraction of the cost (see Southend Airport as an example).

22. How should financial risk be managed in Britain's rail infrastructure in the future?

We do not have a view on this question.

23. Do you have any views on how Britain's railway infrastructure should be funded in the future, regardless of corporate structure?

There are opportunities to better exploit Network Rail's assets to generate an income for Network Rail or realise efficiencies through private management and maintenance. For examples, Network Rail's property assets have been under-exploited. The opportunity to offer full development rights raises the opportunity through the "Station Co" model to provide a self-sustaining model for stations.

By grouping together stations in bundles, the ability to fully exploit commercial development rights for housing/retail/offices would allow for improvements across the whole stations estate.

A longer-term interest would also create incentives around developing and growing new markets as well as proving a more sympathetic framework to manage long-lived property assets, removing the inefficient and artificial lifecycle generated by the current franchising model.

In the UK we appear to be incredibly poor at exploiting opportunities to benefit from the enhancements we fund, whereas other countries (especially

the two cited in the response above) fund their enhancements almost entirely on this basis.

As described above we need a vehicle for international investment opportunities to be realised on a national level. We should be looking at investment in enhancements that will finance themselves in the longer–term and leave no residual debt burden, whilst recognising that these investors need to make a return on the capital – making a profit on investment seems to be an unacceptable concept to the public sometimes.

24. What positive case studies are there (e.g. international examples in the railway sector, other sectors internationally/in the UK), where more affordable and sustainable funding and financing structures have been implemented, with or without private sector capital input? And how do you think the lessons learnt could be applicable to Britain's railway infrastructure?

Japanese Operator JR-East has a number of examples of projects such as the station development they undertook in Tokyo – a major project funded entirely from the commercial opportunities arising from the work.

25. What are your views on the enabling factors facilitating a sustainable and affordable capital structure for Britain's railway infrastructure? What factors would be required specifically for private sector capital introduction?

UKTI have a portfolio of investors wishing to invest in infrastructure projects that make a steady long term return on their investment. The opportunity to exploit this should be considered in the UK.

26. What are the types of investors that may be interested in investing in Network Rail, any of its functions, or in select parts of it? And for these types of investors, can you indicate:

key attractions;

risk appetite;

required enabling factors;

Consultation with UKTI and also the major infrastructure companies within the UK and abroad may be useful to offer up solutions to our challenges.

27. What characteristics do you think enhancement projects would need to have to attract private sector investment and to what extent and in what form would public sector support would be needed? What types of financing structure could be brought to bear?

The asset or facility would need to offer a steady return on investment with long enough payback period to give investor certainty. Hence, offering longer-term development rights linking commercial opportunity with financing infrastructure, as operated in many overseas environments, appears to be a strong starting point that should be considered.

28. What incentive mechanics or control structures on Network Rail would facilitate third party involvement in the financing of enhancement projects?

We do not have a view on this question.

<u>Risks and Implementation</u>

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

One concern that has not been highlighted enough is the lack of connection between the implementation of short-term fixes for the current difficulties prompting this review and the long term implications of such strategies – this is a key concern. The disposal of railway assets to address current financial shortfalls is an issue that may return to frustrate our future plans at a later date – this needs careful consideration and consultation before undertaking.

Revenue generating commercial assets that may be critical to meeting future industry operating costs should not be disposed of to provide an instant cover up for inefficient project management. This is merely storing up problems for the future and private commercial ownership of these assets may result in other difficulties where expansion or asset development plans are later implemented. For instance, disposal of land around stations or within the area of the track could inhibit the ability to meet capacity enhancements as future need dictates – it is hard to expand a station if it is constrained by a ring of apartment buildings! Whilst it is right and proper that plans for the land, indeed for all of the assets held dormant by Network Rail be used to generate more income to offset costs, the land and assets must be retained by the organisation or transferred to local stewardship to ensure that we can 'future-proof' our Network for future generations. Such short term disposal of valuable industry assets was a feature of the time of Railtrack which we would

not like to see repeated. We would like to draw your attention to Fig 7 on page 31. It doesn't make any mention of the role of the Station Facility Operator and Station Operations, which is a significant area of interest for TfGM as well as the rest of the industry. Rolling stock cascade and management should also be mentioned. Given the size of the impact on customers we would like to have much more of a say in this going forward, in addition to other key stakeholder such as Rail North. We absolutely need to see a 30 year rolling stock strategy that aligns to the digital railway. The latter is also absent from most of the documents and is a significant challenge to planning for the whole of the industry.