

PLANNING OVERSIGHT GROUP

MINUTES – 8TH JUNE 2016

01 INTRODUCTIONS AND APOLOGIES FOR ABSENCE

Attendees

| | |
|-------------------|-------------------------|
| Jo Kaye | Network Rail (Chair) |
| Mark Havenhand | RDG (Secretariat) |
| Lindsay Durham | Freightliner |
| Russell Evans | FirstGroup |
| Seb Gordon | RDG |
| Graeme Hampshire | Stagecoach |
| Nigel Jones | DB Cargo |
| Elizabeth de Jong | RDG |
| Chris Kimberley | HS2 |
| Calvin Lloyd | RDG |
| Jeremy Long | MTR |
| Mark Phillips | RSSB |
| Alan Pilbeam | Abellio |
| Jonathan Pugh | Network Rail (by phone) |
| Andrew Chivers | National Express |
| Bill Davidson | RDG |
| Richard Harper | Arriva |
| John Larkinson | ORR |
| Greg Sugden | Network Rail |

Apologies

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|--------------------|---------------------------|
| Martin Arter | Digital Railway |
| Jeremy Candfield | Rail Industry Association |
| Gary Cooper | National Task Force |
| Andy Course | Eversholt Rail |
| Jonathan Dunster | Virgin Trains |
| Darren Horley | Virgin Trains |
| Paul Furze-Waddock | National Express |

02 PR18 – ORR PROGRAMME AND RDG APPROACH TO RESPONSE

John Larkinson delivered a presentation on the PR18 process. Several changes in relation to PR13 were highlighted:

- The Network Rail borrowing limit and sub-limit for Scotland
- NR / DfT framework agreement, requiring the DfT to approve several NR business plans, one for each Route
- The expanding range of funders and uncertainty over their statutory roles
- The impact of devolution in creating scope for specification of outputs at the Route level
- Small changes to the Schedule 4 / 8 regime.

The next stage in the process will be the creation of an integrated timetable, highlighting key decision points to refine priority areas. However, apart from the simpler changes to Schedule 4 /8 it will be difficult to be certain regarding the likelihood and timing of other decisions. A key input will be the setting of Network Rail's borrowing limit and a key milestone will be the publication of the SBP (rather than the IIA). A desire for immediate and meaningful commercial dialogue with operators was noted, with one approach being to include in Route meetings all stakeholders impacted by the Route's plan. It was highlighted that the ORR was set up to regulate at a national level rather than the route level being proposed, and hence resources could be an issue. This was why the ORR intended to only focus its PR18 work on key priority areas.

Whilst NR's outputs will be set a Route level, any enforcement will have to be of Network Rail as a whole company as it remains one legal entity. In assessing Network Rail's performance the focus should be on overall delivery rather against individual measures.

An ongoing challenge for Network Rail as devolution evolves will be to align its Route structures with those of its external funders and customers.

Bill Davidson explained the process for RDG's involvement in PR18. Among the stakeholders involved so far there has been support for Route-level regulation, provided this does not limit the flexibility to move resources between the various parts of Network Rail as circumstances require. The industry is not supportive of Route-based charges, which would be burdensome for the vast majority of operators, as few are limited to a single Route. The ORR is keen to ensure that the new process is not burdensome.

There has also been support for the retention of a System Operator function, which could play a key role in facilitating the transfer of resources between Network Rail's divisions and in maintaining the integrity of the network as whole.

Turning to new ways to treat enhancements, the DfT aspiration for flexibility was contrasted against industry's preference for the certainty of a five year settlement. It was highlighted that there always was some flexibility in the system, and that it was never required for all enhancements to be included in the HLOS. There may be some value in bringing to funders' attention the opportunities which existed within the current regulatory system.

Four working groups are proposed, their membership including representatives of Network Rail, TOCs, FOCs and funders. Some groups are more advanced than others – the enhancements group being in particular need of some consideration. The overlaps for some topic areas were noted, with one solution to keep abreast of the interfaces being to copy papers for CRRWG to POG. Bill highlighted the need for a coordinating group.

03 PROGRESS FOR ENGLAND & WALES / SCOTLAND IIAS, WAY FORWARD AND FUNDER ENGAGEMENT

Calvin Lloyd communicated the uncertainty surrounding timings for Network Rail's inputs to the IIA. The earliest expected date for usable forecasts of Network Rail's OM&R is end July / early August, and although the Digital Railway programme has moved on it is not yet completely decided how this will be embedded in Network Rail's wider business planning. There are also a limited number of POG and RDG Board meetings in advance of a September publication date – for this reason an all-day 'stocktake' has been proposed for

September and an additional POG will be arranged for August to focus on OM&R. Progress would be further supported by sub-groups dealing with Digital Railway and the investment choices. The aim is to reach consensus by September, however any differences of opinion which remained could be clearly set out in the document if considered appropriate.

The lack of attendance at POG of representatives of Digital Railway was raised as a barrier to progress in this area, therefore their active input to a dedicated sub-group would be essential. It was also noted that the group would focus on ensuring visibility of work through existing governance.

It was suggested that dialogue between Network Rail routes and operators in July could resolve many issues, and if this was not feasible it would be sensible to defer the currently planned publication date of the IIA. It is not clear at this stage whether such a deferral would be helpful for other funders, although it would at least allow further time for devolution to evolve. One approach proposed was to present investment choices to each funder when they are ready, noting that PR18 will be happening regardless and that funders' will at some point need advice to inform the development of their aspirations.

It was agreed that a risk register should be produced to assist POG in keeping track of these types of issues, although given the nature of the risks it will often be the case that only the consequence and not the risk itself can be managed, e.g. devolution [16-06-01].

POG members explored the opportunities which might exist to 'value engineer' some aspects of Network Rail's plan. The scope to make choices around Operations and Maintenance will be limited, however there will be more discussion around the Enhancements, Renewals and Digital Railway elements. In making the case for funding for priority enhancement schemes clearly articulating the consequences of not investing will be key [16-06-02].

Jonathan Pugh discussed his paper on options for publishing the Scottish IIA. Scottish Ministers are expecting a document in September which they can use to inform policy discussions starting in October. Recognising the uncertainty surrounding the England and Wales IIA he presented two options:

- Publication of a complete Scotland IIA in September, including a current view of Network Rail's inputs.
- Publication of a high-level summary document in September which excluded the Network Rail inputs.

The second option was recommended to and accepted by POG, which prompted a discussion around the consequences for other funders. It was suggested that a series of 'prospectus' or 'appraisal' documents could be produced for each of the devolved funders at the time of their choosing and including the appropriate level of detail. An 'appraisal' document could be a high-level response to the various industry reviews, and would avoid the 'sales pitch' suggested by a 'prospectus'.

Jonathan proposed to share key messages from the Scottish IIA at July POG [16-06-03].

04 POG SUPPORT TO WORKING GROUPS

Volunteers for membership of the PR18 enhancements group were requested and confirmed as Calvin Lloyd, Russell Evans and Bill Davidson. ORR and DfT will be approached for representation.

Further communications on this group will follow.

It was agreed that IIA subgroups would be needed to agree the input for Digital Railway and the investment choices; although in both cases it could subsequently be determined that existing groups could fulfil the groups' respective roles.

Volunteers for the groups were as follows:

- Digital Railway – Elizabeth de Jong, Nigel Jones, Chris Kimberley
- Investment choices – Lindsay Durham, Graeme Hampshire (or substitute), Russell Evans, Calvin Lloyd

The Digital Railway group will need to understand the OMR plan for signalling.

Details of the groups will be confirmed in due course [\[16-06-04\]](#).

A further discussion followed re-emphasising the need for the regulatory process to differentiate between 'standard' and 'enhanced' renewals, recognising that the 'vision' for the System Operator function was yet to be articulated, but that there would be a separate Technical Authority.

05 HS2 – SPECIFICATION AND USE OF RELEASED CAPACITY

Given the shortage of time this item is deferred to a future POG. Chris Kimberley is to produce a covering note to be circulated with the group [\[16-06-05\]](#).

06 IIA COMMUNICATIONS STRATEGY

Seb Gordon has produced an initial IIA communications strategy for consideration by the group. Any guidance on the level of communications activity likely to be appropriate would be useful. The range of options between producing a publication to a private document was acknowledged, and the need to respect the funder which was receiving the industry's advice.

07 OTHER

The link between POG and TSLG is to be strengthened through Calvin Lloyd's attendance at its Core Group (CG). This is reciprocated by Mark Phillips' attendance at both POG and TSLG. Agenda slots at POG and TSLG will be established to facilitate aligned working.