

# Rail Delivery Group



## Minutes

### Planning Oversight Group

16<sup>th</sup> November 2016

Network Rail Offices, 1 Eversholt Street, London NW1 2DN

1	<b>Introductions and apologies for absence</b>
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<b>POG attendees</b>	<b>Organisation</b>
Jo Kaye	Network Rail (Chair)
Mark Havenhand	RDG (Secretariat)
Gary Cooper	NTF
Andy Course	Eversholt Rail
James Drury	Digital Railway
Lindsay Durham	Freightliner
Paul Furze-Waddock	National Express
Nigel Jones	DB Cargo
Elizabeth de Jong	RDG
Calvin Lloyd	RDG
Jeremy Long	MTR
David Lowrie	Keolis
Peter Loosley	Rail Industry Association
Mark Phillips	RSSB
Alan Pilbeam	Abellio
Jonathan Pugh	Network Rail

<b>Additional attendees</b>	<b>Organisation</b>
Michael Flynn	Digital Railway
Hannah Randle	RDG
Dave Warner	HS2

<b>Presenters</b>	<b>Organisation</b>
Iain Flynn	NTF

<b>Apologies</b>	<b>Organisation</b>
Roger Cobbe	Arriva / NTF
Jonathan Dunster	Virgin Trains
Russell Evans	FirstGroup
Seb Gordon	RDG
Graeme Hampshire	Stagecoach
Charlie Hodsgon	Go-Ahead
Darren Horley	Virgin Trains
Chris Kimberley	HS2

Calvin Lloyd provided an update on the development of Network Rail's business plans for CP6.

POG members were asked for feedback regarding the quality of engagement with Network Rail's Routes, but operators agreed to consider this outside the meeting and to report any issues. Gary Cooper also proposed to raise this at the next NTF meeting.

Operations, Maintenance and Renewals (OM&R) expenditure is subject to an efficiency challenge which has two layers – the requirement for appropriate volumes to ensure a safe and sustainable railway, overlaid by the challenge of minimising unit costs.

The level of train performance supported by the infrastructure has to be reasonable (if not measured), but safety and sustainability are the key considerations. Asset performance is not necessarily a key driver of performance – only at the margins. Efficiency savings aimed at reducing operating costs in Network Rail and train operators has impacted on performance.

Two areas risk bringing the industry into disrepute – perceived high costs and poor performance. Given that the menu of potential 'quick wins' to address performance hasn't changed, has industry found the right balance between major capital projects and smaller operational interventions?

Signalling is assumed in Network Rail's plans to be based around conventional approaches, except where digital-based solutions have already been committed to.

It was suggested that the industry was less involved in the process than in CP5. In response it was emphasised that the IIA exists as a POG-owned document with a similar breadth as in CP5, and the time has come to share this with the group. It will however be a low-key document, to be provided in January in accordance with the DfT's requirements. The much closer relationship between the DfT and Network Rail provides more certainty that the advice is what funders want.

Network Rail should present its view of its funding requirement at the next POG in order to inform the overall industry perspective. However, the cost forecasts are not yet sufficiently well enough defined to be set out at Route level. It was acknowledged that there is a limited amount of time between Network Rail's expected submission and finalising the IIA document in January – but the programme has already been built around this.

It was suggested that it was important for POG to be able to see O&M lines separate from R given the different efficiency profiles which could be applied. It would therefore be useful to have a presenter who can explain this, including price increases and efficiency assumptions.

	<p>If Network Rail Board approval of the cost forecasts cannot be secured in the timescales anticipated, then the point at which the IIA is submitted to DfT may need to be delayed.</p> <p>Network Rail confirmed that benchmarking against other industries has been done extensively, both within the company and by ORR.</p>
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<b>3</b>	<b>Digital Railway update</b>
	<p>James Drury provided an update on the Digital Railway programme, which will form the basis for the Digital Railway narrative in the IIA unless POG disagrees.</p> <p>The programme has been defining the interventions which would deliver the best value for money, as a case cannot be made for a wholesale network-wide rollout. A renewals-based approach could still work. In common with many types of scheme, the programme has been affected by the unit cost challenge.</p> <p>The DfT has been leading the identification of options for the Essex Thameside and Trans Pennine routes, and the Digital Railway programme team is expecting to provide further input as these schemes progress.</p> <p>The business cases are very sensitive given the high costs and potential benefits involved. Significant uplifts in capacity will only be possible when packaging Level 2 ETCS with conventional enhancements. Train fitment costs will be factored into the business cases, and it is intended that the development of the business cases is governed by route boards, with membership including funders and cross-industry relevant bodies.</p> <p>Some clarifications were requested on the table on the 'Evolution and targeting of candidates' slide, particularly why the Essex Thameside and Brighton Main Line examples were only predicted to deliver limited additional capacity. James Drury agreed to investigate that these were the latest numbers, as there was now more knowledge regarding patterns of demand which may result in a change in the anticipated level of benefit.</p> <p>It is recommended that a funding provision be allowed for Digital Railway, ideally decoupled from control periods. This would allow specific interventions to progress once sufficiently well defined, mirroring the likely approach to funding enhancements. There are potentially overlaps with other funding mechanisms, as Digital Railway could be viewed as both a renewal and an enhancement.</p> <p>Whilst the need to align with franchises was recognised, it was highlighted that most have already been let. There will therefore be a requirement on DfT to modify franchises in a meaningful way. This will require close working with the DfT.</p>

	<p>Finally, it was noted that the Digital Railway narrative needs to highlight the opportunities for interventions to allow for more efficient operation of the railway in the longer term.</p>
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4	Performance
	<p>Ian Flynn provided an update on the discussions he has been having with TOC performance managers. A general consensus around the issues has emerged, which does not seem unchanged from that discovered by his predecessors.</p> <p>None of the interviewees is expecting an improvement in levels of performance in the short term, and a medium to longer term view is harder to gauge given that TOCs are not incentivised to look beyond the life of their franchise.</p> <p>The discussions have revealed generally good working relationships between the TOCs and Network Rail, almost equivalent to informal alliances. However, sometimes Network Rail is viewed as not being tough enough and trying to please all TOCs.</p> <p>There has been a strong wave of support for the new performance metrics, even though 'right time' measures could suggest a significant worsening of the performance of some TOCs. It is not clear that TRUST and associated systems will be capable of providing the level of monitoring needed to deliver the performance required. The ITED programme is investigating this, and has been discussed at NTF – Gary Cooper is happy to provide information on this if requested.</p> <p>TOCs have expressed frustration at levels of basic maintenance, especially regarding clearance of vegetation.</p> <p>There is currently no ability to invest in tactical performance improvements. Schedule 8 is not designed for purpose, and franchises encourage spending up-front rather than throughout their terms.</p> <p>Network Rail can come up with business cases for performance on the basis of potential Schedule 8 savings; however, the sums involved are not significant and payback has to be by the end of the control period. Schedule 8 forms a core part of Routes' accounts.</p> <p>The top priority for improvement is around recovery from events when they do occur.</p> <p>There are a number of things which could be done to improve performance without necessarily requiring funding.</p> <p>The IIA narrative will be discussed further at NTF next week, and further workshops will be held with NTF to finalise the IIA input. Given that</p>

	<p>performance is the top priority for passengers, it should be funded appropriately.</p> <p>It was suggested that smaller franchises generally deliver better performance as they have a more focused team. TfL Rail and other TfL-managed franchises have a clear focus on performance and the funding in place to deliver it, which is not reflected in DfT-procured franchises.</p> <p>Misaligned targets for NR and franchises have not been helpful.</p> <p>The IIA will acknowledge the problems around performance. Whilst this has been discussed at previous POGs, the group has yet to be sighted on specific interventions to address the problem, a number of which may require funding. The IIA should emphasise to DfT that quoting a national performance number in its HLOS will not deliver the required outcomes. Action is as much required from DfT as industry.</p>
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<b>5</b>	<b>Efficiency</b>
	<p>Calvin Lloyd proposed the key elements of the efficiency narrative for the IIA. Recognising that this was very much focused on the efficiency of Network Rail, POG members discussed other aspects of the efficiency story to cover in the IIA. Suggestions includes:</p> <ul style="list-style-type: none"> <li>• Headcount reductions or changes (e.g. replacing drivers with more platform staff to reduce dwell times)</li> <li>• Wages and salaries</li> <li>• Rolling stock costs (potential causes including standards, exchange rates and treatment of risk)</li> <li>• Longer trains and journey time improvements</li> </ul> <p>However, it was warned that making cuts beyond a certain level can be a false economy. Network Rail’s mobile maintenance capability was reduced in CP4, but is now having to be replaced. Poor performance has an efficiency impact in terms of sub-optimal asset utilisation.</p> <p>RDG and RIA agreed to provide data to support the efficiency narrative.</p>

<b>6</b>	<b>Investment funds</b>
	<p>The Ring Fenced Fund proposals were last shared at the September POG ‘stocktake’. They have been reviewed further, although there remains a need to clarify potential overlaps with Network Rail’s planning activities. It is not necessarily the case that all funds should be cross-industry – if clear actions</p>

fall on Network Rail there is a case for the activity to form part of Network Rail's core funding.

Safety is being looked at in Network Rail, as it is expected to implement many of the actions required. However, in light of the impossibility of foreseeing all the interventions that might be needed to address safety issues it was agreed that at least one cross-industry safety fund would be needed. Calvin Lloyd is discussing further with Graham Hopkins next week.

There was a lack of support for the Customer Experience fund proposal, unless a strong justification could be made for its inclusion. There was a concern that this shouldn't be trying to compensate for what franchises should be doing anyway.

The proposal for a Depots and Stabling Fund was supported, despite the challenges around the CP5 fund. It can be particularly difficult to fund stabling from within franchises.

POG agreed to retain NRDF, but under the name 'Minor Enhancements Fund' or similar.

The proposal for a SFN Fund was supported

Proposals for a Performance Fund are awaited, although there is on occasion a view expressed in Network Rail that this should be built into Route plans. There are parallels with safety in the sense that it is only possible to plan to a certain point, with the fund allowing the progression of interventions that couldn't otherwise be funded.

The proposals for stations funds are under review given Network Rail policy and potential asset disposals. There is expected to be a case for Access for All to continue as standalone fund, but it would seem sensible to merge the other funds into a more generic station improvement fund covering a range of outcomes. This would reflect current views within RDG.

The technology proposal was supported, and there is an opportunity to highlight the efficiency benefits this could enable.

Automatic Vehicle Identification was considered to be a project rather than a fund. It was proposed to be merged with the ITED project, which uses GPS data as a means to improve performance [post-meeting note: it was subsequently confirmed that the two proposals are distinct – see briefing materials]

The principle of an enhancements pipeline was supported, although its size would need to be considered.

The allocation of funding to both the North and Wales is for funders to address, and 'carve outs' based on geography are not supported by POG. A key issue is how to determine the allocation of these carve outs – basing on route length would not necessarily be fair given that the many miles of route in these areas are not accompanied by high levels of demand.

<b>7</b>	<b>Scotland – Initial Industry Advice and HLOS update</b>
	Jonathan Pugh provided a very brief update on the Scottish context. The current key issue is around the divergence of IIA timings relative to England and Wales. The Scottish Government’s HLOS consultation is due in the coming weeks [post-meeting note: this was released on November 17 <sup>th</sup> ] the response to which is to be determined by SSPG. There was agreement with Jonathan’s proposals.

<b>8</b>	<b>IIA next steps</b>
	<p>Calvin Lloyd set out next steps for the IIA, recognising the need to share the narrative with POG as soon as possible.</p> <p>The different approaches being requested by the DfT and Transport Scotland were highlighted – whereas the IIA is in Scotland responding to a public process, in England and Wales this is not the case.</p> <p>RDG will be drawing up a communications plan in collaboration with funders to provide clear guidance on how to respond appropriately to any questions received from external parties regarding the IIA.</p> <p>The RDG Board will need to agree to the proposal.</p> <p>Whilst the Network Rail IIA narrative will set out the company’s improved approaches for estimation of costs, the detailed costs themselves will sit within the Network Rail Plan.</p>

<b>9</b>	<b>IIA next steps</b>
<b>10</b>	<b>PR18 update</b>
	These items were shared with POG for noting. Any comments should be provided in correspondence to Mark Havenhand, or directly to the authors.