



House of Commons
Transport Committee

Investing in the railway: Network Rail Response to the Committee's Seventh Report of Session 2014–15

First Special Report of Session 2015–
16

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The Transport Committee

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Committee staff

The current staff of the Committee are Gordon Clarke (Clerk), Nick Beech (Second Clerk), Alexandra Meakin (Committee Specialist), Emma Gordon (Committee Specialist), Adrian Hitchins (Senior Committee Assistant), Stewart McIlvenna (Committee Assistant), and Hannah Pearce (Media Officer)

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First Special Report

On 20 March 2015 we received a response from Network Rail to the Transport Committee's Seventh Report of 2014–15, *Investing in the railway* which we publish with this Special Report.¹

Network Rail Response

- We welcome the publication of the Transport Select Committee's 7th Report: Investing in the railway.
- We particularly welcome the Committee's acknowledgement of the extraordinary capacity challenge that the rail network faces and their continued support for our Control Period 5 investment programme.
- We also very much value the Committee's recognition of the wider economic and social benefits of rail investment.
- Safety is and will always be our first priority. Our commitment to becoming more efficient and delivering better value for taxpayers and passengers will never be at the expense of safety.

The Committee's report made a number of specific comments and recommendations addressed to Network Rail which are dealt with in turn below:

Recommendation 4: We call on Network Rail to publish a vision for the railway up to 2043, with a breakdown of the work expected to be carried out in each Control Period. (Para 19).

Network Rail publishes a series of documents as part of the rail industry's Long Term Planning Process (LTPP) to provide a vision for the network to 2043. These include Route Studies for different areas of the country and are publicly available at (<http://www.networkrail.co.uk/long-term-planning-process/route-studies/>).

Route studies articulate how capacity can be increased by improving the rail infrastructure. They are used to inform Network Rail's delivery plan for the coming control period (e.g. CP6 - 2019-24) and provide an indicative programme of long-term enhancements.

The LTPP provides an assessment of future rail demand and how it can be met can be met through improvements to the railway. It comprises:

- **Market studies** that forecast demand over a 10 and 30 year period for long distance, regional urban and London & South East.

¹ HC 25Z, published on 23 January 2015.

- **Route studies** which develop options for all future train services, local as well as long distance, based on the demand forecasts and priorities set by the market studies.
- **Cross-boundary analyses** that consider options for services crossing multiple routes and provide consistent assumptions for the route studies.

These studies inform Network Rail's Strategic Business Plan, produced every five years, which sets out the enhancement proposals. At the same time as this programme is being articulated, the LTPP is working out the proposals for the next control period. Network Rail publishes potential future enhancements to the railway in control periods beyond 2019. However, funding is only granted in the period six months before the start of each control period. This means that publishing detailed investment plans for control periods well into the future would be impossible, as one could not predict what level of investment would have taken place in preceding years. For this reason, without an understanding of the enhancements made in CP6, publishing details for CP7 would be extremely difficult.

The LTPP takes into account the likelihood of increased passenger numbers where transport infrastructure not managed by Network Rail, such as HS2 or airports, is planned in the coming years. It considers predictions for the consequential increase in rail usage and what impact new passengers will have, and revises proposed solutions accordingly.

Recommendation 5: Network Rail should publish a "traffic light" status update for each project committed to in a control period, which would make clear whether, for example a project had been provisionally approved subject to detailed costings, finally approved but without a start date or approved and ready to start. (Para 5)

Network Rail is committed to transparency on the cost, funding and delivery of projects.

Our CP5 Enhancements Delivery Plan already shows delivery dates for all our projects. A 'traffic light' system is one option that has been used but it not our preferred mechanism for communicating this information. It does not always adequately communicate the complexity of information that is contained within a project. However, we will always seek to provide the information in such a way as to make the status of a project clear.

Our intention is to provide full project information on a quarterly basis when we publish our Control Period 5 Enhancements Delivery Plan updates (March, June, September, and December). This will include: a statement about why each scheme is being undertaken; a synopsis of what each scheme is intended to deliver in terms of output; and a description of the scope of works; and the point at which the infrastructure will be ready for use.

The ECAM (Enhancement Cost Adjustment Mechanism) is a key mechanism for Network Rail to share information about cost and delivery of a project with the ORR.

Once this information has been shared with the ORR this is reflected in a revision to Network Rail's delivery plan. In essence, this is the point at which detailed costs have been reviewed by the ORR and the scheme approved for delivery with the completion date being set as a regulated output.

Network Rail recognises that the ECAM process could be more accessible. It is doing further work to examine how information about the railway could be better communicated to provide confidence to the public and stakeholders.

Recommendation 12: Network Rail must also set out why its payment—which makes up part of the stated subsidy to each Train Operating Company—allocates the same costs for maintaining the rails to much smaller Pacer trains, as it does to the larger and faster Pendolino trains. (Para 39)

Network Rail does not allocate the same cost to smaller trains, as it does larger ones. There are two broad types of access charge: variable charges and fixed charges. While it is true that fixed charges do not vary with the type of trains, variable charges change with the level of use of the network.

In the context of track assets, Network Rail's variable charges are differentiated by both type and length of train. As a result, the variable charge (per mile) is significantly higher for an 11-car Class 390 Pendolino (broadly £1.50 per train mile at present) than for a 2-car Pacer train (broadly £0.10 per train mile at present). Variable charges are designed to reflect the different costs Network Rail faces when accommodating different trains.

Fixed access charges recover Network Rail's net revenue requirement. The net revenue requirement is the revenue required by Network Rail to run its business, after accounting for the income received from variable track access charges. Fixed charges are only paid by franchised passenger train operators.

Fixed charges are annual charges, rather than a charge per unit of traffic. The process for allocating fixed charges between franchised operators is as cost reflective as is reasonably practical. Broadly speaking, route level infrastructure asset costs are allocated to sections of the network, and then allocated to operators using the most relevant measure of use (e.g. train km, vehicle km, tonne km, or electric train km) for the asset.

The setting of access charges is subject to review and consultation during a Periodic Review.

Recommendation 21: The fact that King's Cross was only one of a number of overrunning engineering works and signalling problems that plagued the rail network over the festive period offers further evidence of systemic weaknesses in Network Rail's capacity to plan and execute engineering works ... Network Rail must demonstrate how it will learn from the mistakes it has made in its engineering works and maintain a decent service to passengers while enhancement work is carried out. (Para 78)

Putting passengers at the heart of our planning is absolutely the right thing to do and we recognise that we let people down during the disruption experienced on the 27th and 28th of December.

Over Christmas, we undertook the biggest programme of engineering and investment work ever, upgrading train lines across the country. The overwhelming majority of this work went to plan but in the case of King's Cross and Paddington we accept we got things wrong.

In reaction to the overruns Network Rail conducted a review into the delays report has caused us to look again at the work we have planned this year. The report, and its findings, can be found here:

<https://www.networkrail.co.uk/review-into-disruption-affecting-kings-cross-and-paddington-services-27-December-2014.pdf>

While every overrun is hugely regrettable, Network Rail did hand back 98.4% of its 2,445 possessions on time or early. 40 did not. Of those 40, two overruns (King's Cross and Paddington) accounted for 74% of all delays caused by overruns and 89% of all cancellations.

In this context, it is possible to recognise a picture of multiple successful projects delivered to improve the railway in very short time scales. Unfortunately, the minority of failures set the prevailing view of the organisation's record. Therefore we recognise that we need to do better to ensure every project completes on time.

Network Rail is also looking in detail about how it, along with train companies and the whole rail industry, can improve our communication with passengers. This is both in times of disruption and during normal operation of the railway. A key theme is the digitalisation of communications, with the industry making significant investment in new technology to provide passengers with more real time information.

Recommendation 9: Each spending announcement made by Government, Network Rail or the train operating companies should make it clear where the funding has originated. (Para 27)

Network Rail's funding is determined through a process that is conducted with the ORR. This details what spending will take place during the control period, but also the sources of Network Rail's funding. It is publicly available here:

<http://orr.gov.uk/publications/reports/final-determination>

Furthermore, Network Rail provided easy straightforward information about the funding it receives in summary documents for the Strategic Business Plan in January 2013 and the CP5 Delivery Plan (April 2014)

<http://www.networkrail.co.uk/publications/strategic-business-plan-for-cp5/>

<http://www.networkrail.co.uk/publications/better-railway/>

When there are additional funding announcements within the control period, Network Rail always seeks to be transparent about the sources of funding. For example, when money was announced for Gatwick Airport station redevelopment it was clear that the total funding for the project was £120.5m, but that around £50m would come from government, £30m from Network Rail, £30m from Gatwick Airport Limited and £10m from the Local Enterprise Partnership.