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Dear Paul,

CONSULTATION ON NETWORK RAIL'S STRATEGIC BUSINESS PLAN (SBP)

We welcome this opportunity to comment on the Network Rail SBP as we have been keenly involved in developing proposals in the Route Plans for both the West Midlands and the WCML.

One initial observation on the SBP: it serves two purposes – (i) a proposal for the expansion and development of the railway network and (ii) the most public statement by Network Rail of its view on the extent of public funding it requires for C P4.

In its latter function it contains a number of assertions and opinions – for example, on train service performance and own efficiency - that are and can only remain the opinions of Network Rail.

That said, we believe that SBP is a valuable first step for the development of forward strategy for the rail industry in CP4, taking into account the high level objectives set in the HLOS. However, much detailed work remains to be done by NR and operators on the precise detail required to implement the HLOS objectives either side of the draft Regulatory determination in June 2008.

Capacity and infrastructure

The proposals in the individual plans for Routes 17 (West Midlands) and 18 (West Coast) reflect our discussions with Network Rail to date. The SBP recognises the substantial growth in the passenger business around the conurbations away from the capital, which in some instances has been greater than the London commuter growth rates over the past decade.

We support the main contention that given the degree of utilisation on these sections of network over which London Midland operates, the only way to meet both ongoing passenger growth and the HLOS objectives is to increase the length of trains, and to ensure that the railway infrastructure is capable of handling longer trains.

Correspondingly we support the proposal for additional vehicles to meet current anticipated growth, although there is obviously a need to determine the precise requirement over the numbers declared in the SBP. We recognise that detailed work is necessary very soon to determine an efficient – and practicable - rolling stock strategy: whether it be by cascade, or new build. Furthermore additional stabling and/or maintenance provision is likely to be needed. We look forward to discussing the practical details of the proposal with the DfT and Network Rail in early 2008.

It is our view that any proposal for longer trains needs to be accompanied by an infrastructure strategy which meets the market demands and operational requirements. The platform extension proposals for the rail corridors in the West Midlands is intended to provide a sensible and adequate solution which will cater for demand both for CP4 and in successive Control Periods. It is therefore essential that the rolling stock strategy is fixed soon, so that the necessary infrastructure works can be assessed and programmed.

Our detailed discussions with NR - both bilaterally and at Route Investment Review Groups - have sought to capitalise upon the opportunities presented by the forthcoming renewals of power signalling installations in the West Midlands to provide infrastructure enhancements that increase the capacity, capability and resilience of the network. We are also conscious that the needs of freight users are appropriately reflected in the specific infrastructure proposals under consideration.

We strongly support the proposal for infill electrification where such investment can readily bring service capacity and resource improvements to fast growing routes.

We are pleased to note that NR has specifically identified the potential offered by extension of the existing Cross City electrification from Barnt Green to Bromsgrove, some three miles further south. This is one half of a proposal to provide capacity and service improvements on the southern half of the Cross City route which also serves Redditch, and where the peak service (broadly 2 tph) is already operating at full capacity.

There is a separate proposal in development with stakeholders to provide an enhanced station at Bromsgrove, with vastly increased car parking provision. Our view is that such investment is essential to meet growing demand which is currently constrained, and also serve the wider objective of modal shift off the M5/A38 road corridor.

We also welcome the recent dialogue between DfT, NR and ATOC on the options for further electrification and believe that selected schemes do offer genuine benefit to the rail user, while contributing to the wider issue of sustainability. We will continue to work with NR on the evaluation of other possible infill electrification schemes, for example between Walsall and Rugeley Trent Valley, which will present an opportunity of further exploiting the benefit of West Coast Route Modernisation.

Asset policy

We also intend to continue our efforts to encourage Network Rail to improve route "value", seeking to increase line speeds following renewals in order to improve the resilience of the existing train service, and on occasion providing further benefit, such as frequency increases. We would support any criteria that might emerge from PR08 which seeks to encourage NR to review as a matter of course line speeds on outlying and secondary routes following track renewals. We are concerned that there is no internal emphasis within NR on reviewing existing line speeds where it replaces life expired jointed or bullhead track with new CWR, and this point should be considered in relation to its declaration on future asset stewardship policy on secondary and rural routes.

With regard to asset policy, we are slightly alarmed at the tone of its proposed strategy off the high speed or commuter corridors. It is obvious that with finite funding, choices will have to be made as to what enhancements are provided in CP4, and how ongoing maintenance and renewal activity is taken forward.

We do not believe, however, that NR's outline policy objectives for secondary and tertiary routes should be considered solely in connection with its stated bid for funding, and subject to its own internal criteria. A policy that withholds maintenance and renewals on lesser used lines will create problems in the future, and that is precisely the situation that Network Rail inherited from its predecessor organisations. Moreover, there are certain routes whose classification on a technical or engineering basis would receive a lesser focus under this policy. Yet the impact of failure on these routes would have a significant effect on the network. One example for London Midland would be the Birmingham – Stratford line.

Performance

LM has had a number of discussions with NR on performance and the trajectory for CP4, some of this as a result of the recent franchising process.

Whilst we acknowledge the effort by NR that has gone into the performance studies we remain unconvinced of the simple argument from NR that performance nationally cannot improve beyond 91.6% PPM without it receiving additional substantial investment.

Our view – drawn in part from our engagement with NR on a wider geographical basis prior to franchising last month – is that there is much more for NR to do in relation to internal processes and best practice, that would provide performance gains without additional funding. The NR argument might have more weight if it had been able to achieve a greater reduction in its delay minutes post Hatfield. As it is the much of performance recovery post 2001 has been down to the efforts of train operators.

The discussions to date with NR on the PPM trajectory for London Midland during CP4 broadly meet our requirements on performance over the lifetime of the franchise, *provided* that all initiatives proposed by NR will be delivered, and their estimated improvement value delivered in full. We remain to be convinced that Network Rail is organised and capable of achieving these targets which it has developed itself.

By way of example, we do not believe that it has fully shared best practice between its routes on the management of situations arising from the failure of and reset requirements for axle counters. We find it exasperating that NR is intent on adopting axle counter technology as a key element of its future signalling renewals strategy without ensuring sensible and thorough processes for handling day to day issues such as failure and restoration following engineering work. We believe that NR should be challenged to ensure that its processes on the use of axle counters does not result in a reduction in the capability and flexibility of the rail system, especially where they are proposed for installation with the renewal of areas that are continuously track circuited.

There are no doubt examples elsewhere where the development of future standards and practice on new technology does not appear to be delivering the envisaged benefits to the industry.

Seven Day Railway

We fully support the proposals to offer operators improved access to the network on the principles of the “7 Day Railway”. We would reserve further comment until we have had the opportunity to discuss fine detail with the NR Territories, as the philosophy has yet to be fully cascaded out from NRHQ. However, we acknowledge that revised maintenance processes will need to be funded, and that a business case for provision of a 7 Day Railway is naturally subject to market demand. Moreover, we would expect that the guiding principle for any route is that it is both not subject to an engineering possession, *but also* open and capable of handling rail traffic.

Stations

We welcome the recent initiatives from NR on station developments using where appropriate the modular structure concept, and also the proposals on charging for enhancements, although we do not necessarily support the proposal to reduce visibility of franchise station charges by inclusion of the LTC into the Fixed Access Charge.

We are keen to ensure that enhancements to stations are delivered quickly and effectively, but the record to date has been mixed at best. The “Access for All programme” is probably running some 18 months behind plan. We support the move to create “fast track” teams to progress schemes, but it is essential that this does not merely move projects further down the GRIP ladder without reaching Stages 5 or 6 where the physical works take place.

The ORR may care to consider the future appropriateness of the GRIP process – with the attendant process costs on sponsorship and project management - as an efficient and effective means of expending relatively minor sums on a large number of small schemes. We have experience from NR “framework” contractors where charges for station improvements have been double what we would have expected to be paying our own contractors.

Deliverability

Our final remarks concern the deliverability of any funded outputs and the capability of those parties charged with that task. We have referred to our experience on stations, the track record during CP3 on basic enhancement schemes funded through NRDF has been similarly mixed. There is no lack of suitable schemes, but development and delivery by Network Rail has been frustratingly slow in some cases, it is apparent that “quick wins” for the industry can be disappointingly scarce.

Control Period 4 sees a large number of key schemes to which funding has been committed, examples include: Crossrail, Thameslink, and works associated with the 2012 Olympics. These will absorb a large element of technical and project management resources available, and delivery of some are clearly time critical. In some circumstances other industry parties, such as the train operators, could procure desired CP4 outputs more efficiently – station enhancements, or further possible improvements in train service performance.

We acknowledge that as both political and financial resources have been identified for an expansion in the period to 2014, this is a time of great opportunity for the rail business. However, we would urge that the Regulatory settlement takes account of the practical capabilities of the parties to best deliver the desired outputs. One option may be for the allocation of funding to take cognisance of the ability of parties to deliver outputs efficiently, so that benefits may flow through to the customer as soon as is possible.

I would be happy to discuss further any of the issues raised in this response.

Yours sincerely

**Stephen Banaghan,
Managing Director, London Midland**