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## Network Rail annual return shows substantial improvement

AS A CONDITION of its licence Network Rail publishes an annual return in addition to its statutory results to provide separate information on outputs achieved.

The 2008/9 information covers the final year of Control Period 3 which commenced in 2003/4. The subjects covered are: Operational performance; Network capability; Asset management; Activity volumes; Safety and the environment; Expenditure, efficiency and finance.

Operational performance has improved steadily with 90.6% of trains achieving the public performance measure (PPM), a figure that reflects cancellations and punctuality. It is the highest since the performance indicator was established and was achieved by reducing delay minutes to 8.8 million in 2008/9 compared to 13.7million five year ago, ahead of the regulatory target of 9.1million.

NR also achieved significant efficiency savings which amounted to 27%. This fell short of the target of 31% derived from a requirement to reduce unit costs of 35% for maintenance and 30% for controllable operating costs (opex) and renewals. In fact controllable opex and maintenance efficiency were close to the target but there was a considerable shortfall in the renewals category. The maintenance cost per track mile reduced from £74,000 to £48,000 over five years – a reflection of the efficiencies generated by bringing activity in-house. The level of rail renewed (kms) rose from 816 to 1206 in the period, re-sleeper covered 735 kms. For switches and crossings there were 419 complete renewals in 2008/9 a reduction that was reflected by numbers refurbished (87).

Safety performance is dominated by the fall in Signals Passed at Danger which have seen a seven-fold reduction since the introduction of the Train Protection and Warning System in 2002/3. There were 294 Category A incidents last year and work continues to reduce these by better signal visibility and layout optimisation of the TPWS equipment. Level crossing misuse constitutes the largest single category of train accident risk. It is assessed that 20% of the risk is to passengers and 80% to people inside cars. In total there were 13 pedestrian and two road vehicle occupant fatalities and the number of incidents of misuse has not declined despite a range of initiatives. ■



Asset renewal of overhead line equipment takes place at Rugby during the final stages of the massive West Coast Main Line modernisation project. Network Rail

Financial reporting	£ millions	2009	2008	2007	2006	2005
<b>BALANCE SHEET</b>						
Fixed assets inc. investment property		36,869	32,576	29,252	26,883	23,094
<i>Change over year (NB not all headings are covered)</i>						
New assets and renewals		4,743	3,544	3,326	3,151	3,598
Asset revaluation		(113)	34	73	1,583	1,749
Depreciation <sup>1</sup>		(1,198)	(1,195)	(1,086)	(964)	(834)
Other assets inc. debtors		3,249	1,656	1,352	1,215	1,153
Total liabilities		(32,877)	(27,681)	(24,946)	(23,735)	(19,030)
<b>Net assets</b>		<b>7,241</b>	<b>6,551</b>	<b>5,658</b>	<b>4,363</b>	<b>5,217</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
<i>Revenue</i>						
Passenger franchises inc. revenue grant		5,799 <sup>1</sup>	5,584 <sup>1</sup>	5,433 <sup>1</sup>	3,498 <sup>1</sup>	3,493 <sup>1</sup>
Freight revenue		93 <sup>1</sup>	90 <sup>1</sup>	95 <sup>1</sup>	97 <sup>1</sup>	73 <sup>1</sup>
Property rental		215	219	206	183	172
Other income		52	67	61	59	62
<b>TOTAL</b>		<b>6,160</b>	<b>5,960</b>	<b>5,795</b>	<b>3,837</b>	<b>3,800</b>
<i>Operating Costs</i>						
Staff costs		1,656	1,536	1,401	1,292	1,132
External charges		1,701	1,603	1,691	1,674	1,919
Own work capitalised		(662)	(575)	(482)	(409)	(334)
Capital grant amortised		(45)	(48)	(31)	(26)	(27)
Depreciation/amortisation		1,198	1,195	1,086	964	834
Income treated as cost reduction		(232)	(175)	(146)	(126)	(131)
<b>TOTAL</b>		<b>3,616</b>	<b>3,526</b>	<b>3,517</b>	<b>3,369</b>	<b>3,393</b>
<b>Operating (Loss)/Profit</b>		<b>2,544</b>	<b>2,424</b>	<b>2,278</b>	<b>468</b>	<b>407</b>
<sup>1</sup> net of performance regimes		56	68	89	110	102

## South Africa

First Class Partnerships continues to have a multi-disciplinary team in South Africa with Transnet. The Company is advising upon locomotive procurement, fleet management and a number of issues associated with restructuring and developing the operating department.

Within South Africa rail transport needs to expand to meet to country's economic expansion. Transnet has made some significant recent infrastructure improvements and the operating arm has to develop new management processes and technology to take advantage of these enhancements. First Class Partnerships associates and Directors are taking an active part at all levels of the business to support these changes

## FeONIC Transport Ltd

A programme of audio drive demonstrations continue and trial approval supplier status has been granted by Network Rail. A number of installations are in various stages of design that include the Madrid Metro (KBRS) and Hong Kong (Faiveley). Nearer to home an audio system is to be provided at a major London station. The FTL equipment provides greatly improved sound quality as well as substantially reducing the amount of physical equipment such as speakers. While sound quality is high the envelope is more concentrated preventing noise nuisance to property and people adjacent to stations. The product also has media capability to display image with sound on suitable surfaces.

## MyTrainTicket

Accreditation of the Asseris WebTIS platform has begun on schedule. The process requires ATOC to assess full conformance with the requirements of the Rail Settlement Plan and this is undertaken by a pilot scheme of live transactions to ensure the system provides 100% functionality.

Successful testing will allow the launch of the direct to consumer ticketing website which has been demonstrated to the TOC owning groups as part of a programme of iterative inputs to maximize ease of use to stimulate greater sales.



The reinstated Up & Down Slow line between Harrowden Junction (north of Wellingborough) and Kettering South Junction is an example of recent infrastructure enhancement. Freightliner Heavy Haul Class 66/6 No. 66602 is seen at Isham with a Bardon Hill to Bow Olympic terminal aggregates delivery on July 2nd. Richard Gennis

# Independent evaluation of the ORR's 2008 Periodic Review

BETWEEN FEBRUARY AND AUGUST this year FCP Chairman John Nelson chaired a small team of independent experts appointed to evaluate the effectiveness of the regulatory 2008 Periodic Review of Network Rail's Outputs and Funding for Control Period 4 (2009-2014). It is recognised best practice for industry regulators to commission independent reviews as a means of ensuring that learning points are picked up for application next time. In the case of ORR and NR this means for Control Period 5, which will commence in April 2014.

In undertaking the review John Nelson conducted a series of in-depth interviews with many industry stakeholders who had been involved in the Periodic Review including NR, the Department for Transport, Transport Scotland, HM Treasury, passenger and freight train operating companies and Passenger Focus, as well as staff and directors of the ORR.

The team delved deep into all of the aspects of NR's activities that were the subject of regulatory attention focusing on the processes used by ORR to assess the company's operational, maintenance and renewal activities, including its approach to efficiency and the substantial enhancement programme needed to raise capacity. Approaches to assessing NR's financial framework and incentives were also subject to scrutiny.

John presented his findings and recommendations to the ORR Board and published the report on 5th August. In doing so John said that the team had been "impressed with the ORR's conduct of the periodic review, which was the first under the 2005 Railways Act. Their programme was efficient and effective". Nevertheless the team concluded that there was scope to do even better in the next review, due to be completed in 2013 with four main improvement points for CP5, saying:

- Next time we hope ORR will engage more fully with stakeholders to establish the objectives for the review, and test the options against those objectives at every stage.
- The voice of passengers and freight customers was not always clearly heard at the last review, and we hope ORR will work on ways to engage with them more actively to put their priorities at the heart of the process next time.
- The 2008 periodic review made some use of high level international comparisons in measuring Network Rail's efficiency, and we believe ORR should build on this for the next review.
- Next time, ORR should be very clear with the directors of Network Rail at the outset, about what information it requires for the review and when, and should make sure that this information is provided as needed.

"Now that the review is over ORR should also be very clear with NR about how it is going to monitor the delivery of the capacity and service levels required. The worst thing that could happen would be for the Delivery Plan to fall short, especially during a period of historically high investment in railways and with the country facing tough choices on spending."

Responding to publication of the independent report, Bill Emery, ORR's Chief Executive said: "I welcome the review group's report, and compliment John Nelson and his colleagues on the extensive assessment of the process and management of the periodic review that they have done. The review group has made a number of recommendations about how it believes we can improve the process for the 2013 periodic review. I expect the report to be discussed widely by the industry and we are inviting interested parties to consider the conclusions and recommendations of the review group's report and engage with us to help us develop our response that we will set out in October." ■

# West Midlands high speed route authorisation expected

Demand forecasts made by Network Rail for rail services in the next decade have concluded that existing main line routes will be operating at maximum capacity by 2020. A consensus has emerged that a new high speed network is a better option to provide additional capacity than upgrading existing infrastructure.

In part this results from painful lessons provided by the West Coast Route Modernisation where disruption to journeys took place over many years while work was undertaken. In addition there is a limit to increasing maximum speed on infrastructure with large scale freight activity although some use of future high speed routes could include freight paths where the larger loading gauge is required for international services. This will allow wagons operated on the continent to be worked through the channel tunnel to intermodal terminals and private sidings.

High speed infrastructure enables passenger operations at speeds up to 200 miles per hour using the established in-cab signalling systems provided on the HS1 route. The step change in point to point timings would mean that much of the existing market for domestic air services would disappear with significant climate change and environmental benefit in terms of reduced pollutants and noise.

The Government and other main political parties have all expressed support for the scheme emphasising the benefit of carbon reduction if short-haul aviation is curtailed although as might be expected an airline industry spokesman described that view as 'insane' given demand for travel from regional airports.

New infrastructure also has the potential to benefit shorter distance passenger flows with the example of HS1 where South Eastern commuters from Kent will see journey times sharply reduced when the December 2009 timetable is introduced.

## Promoters offer alternative route options

Up to now a series of lines radiating from London to parallel existing main line routes was envisaged with the Department for Transport forming development companies to progress individual lines. The DfT proposal covers 930 miles of new line with a construction cost of £69 billion, and an assumption that work would start in 2015 and take 25 years to complete. HS2, the route between London and the West Midlands, is expected to be authorised within the next year and would be open by 2021. Significantly the policy to establish a new high speed network is supported by the main political parties so hopefully the project would continue if there was a change of Government.

Unexpectedly the shape of a future high speed network has become controversial as three alternative route options have been published by different promoters. Network Rail has issued its own prospectus based on the most pressing need to relieve congestion on the West Coast Main Line. The result is a proposition to build a single spine route which would have a triangular junction to serve Birmingham, and a similar formation to serve Manchester. The line would continue northwards from Preston reaching a new 'Caledonian Junction' to allow the formation to reach Edinburgh and Glasgow. There is also an option for Liverpool to have a direct high speed link.

Journey times between Birmingham and London would be reduced

*"Unexpectedly, the shape of a future high speed network has become controversial."*

to 46 minutes and bring the West Midlands within 3 hours travelling time of Paris, a highly competitive alternative to air travel. Manchester timings would be 1 hour 6 minutes, Liverpool 1 hour 23 minutes, and Glasgow 2 hours 16 minutes.

There would be connections to St Pancras International station and Heathrow Airport but not population centres served by the East Coast Main Line. The route has been costed at £34 billion, representing an investment of £22.6 million per mile. In publishing the proposal NR admits that it is not in a position to provide funding or the resources to plan or build the infrastructure.

The powerful Greengauge 21 Public Interest Group includes ATOC, the airports operator BAA, and many regional public authorities such as the Passenger Transport Executives and Glasgow and Edinburgh City councils. The West Coast proposal from this group mirrors that put forward by NR but an 'East Coast' line which links Stansted Airport, Cambridge and the East Midlands before paralleling the ECML north of Leeds is added. An upgraded section is also proposed using existing infrastructure between Sheffield and Manchester.

Another promoter is 2M, a consortium of London Area Local Authorities. It wants high speed rail as an alternative to the expansion of Heathrow Airport and describes its route as 'High Speed North'. Rather than paralleling the WCML the proposed infrastructure follows the route of the M1 motorway before splitting to serve the West Midlands and North West and additionally Sheffield, Leeds, Newcastle and Scotland.

## Rolling stock designed for conventional use

The Government has said that it will be a fundamental principle of route and rolling stock design that as in the case of HS1 trains will be able to use both high speed lines and the conventional network. Parallels have been made with policy in France where more than half the annual mileage of TGV trains is off the high speed routes. This contrasts with Japan where Shinkansen high speed services run only on dedicated infrastructure. The decision has particular significance for rolling stock design as vehicles will be built to the smaller UK gauge.

The construction of high speed lines will cause a re-evaluation of existing network investment plans. It hardly makes sense to electrify the Great Western Main Line if parallel high speed infrastructure is to be provided and questions are also raised about the replacement HST project. In this connection an evaluation is taking place as to whether it is feasible to provide a life extension of the present HST fleet so that vehicles remain in operation until 2030. A constraint is the introduction of regulations from 2020 that require the elimination of slam doors. Routes will also be subject to European regulations that allow open access to create competition between operators. This is expected to result in the HS1 route being used by operators based in mainland Europe to provide direct links to Germany and the Netherlands. ■

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FCP continues to undertake wide-ranging advice in the transport consultancy market for customers that include the Department for Transport, Scottish Executive, Welsh Assembly Government, Office of Rail Regulation, Transport for London, overseas governments and railways, financial institutions, UK train operating and rail engineering companies. FCP is also retained by the DfT as the 'operator of last resort'.

# Regional centres prosper as recession hits the long distance operators

RAIL STATISTICS ARE PUBLISHED by the Office of Rail Regulation and annual results show that while passenger journeys reached a new high of 1.24 billion in the 2008/9 financial year growth slowed dramatically in the first three months of 2009. Despite this overall income from ticket sales reached a new high of £6 billion, a very substantial increase over the £3.9 billion figure recorded five years ago. In this period journeys have increased by 26% but revenue growth has amounted to 54%.

This is in line with Government policy to encourage train operators to improve revenue yield by allowing controlled fares to rise above the level of inflation and requiring higher revenue as part of franchise contracts. Before the recession TOC's had been successful in achieving this by improving sales channels, in particular by use of the internet, enabling more successful retailing of spare capacity at less busy times.

More controversially the definition of the off peak travel period has been changed by many operators forcing passengers to buy products with higher prices. This has occurred in the London area where restrictions have been applied to day return tickets in the evening peak. This had not been considered necessary previously as travel is more dispersed than in the morning rush. There has been considerable objection from the London Mayor who said the policy would have a detrimental effect on visitor attractions and retailers.

For the franchised long distance operators, passenger numbers

fell by 1% in the period from January to March compared to the previous year and revenue growth was a modest 3% which suggests that price rises covering controlled fares of up to 7% at the start of the year have had a negative effect on yield. It was even worse in the period from April to June with reduced numbers reaching 3% and revenue declining from £559 million to £542 million in the quarter on a year-by-year comparison.

Lower revenue than forecast has already caused National Express to give notice of surrendering the East Coast franchise but regional operators have been more successful in sustaining numbers despite economic decline and higher fares. Overall revenue growth in this sector was 9% up on last year and closer analysis shows a strong growth in demand for rail services has taken place in population centres outside London in recent years.

The ORR publishes statistics for journeys covering each county/unitary authority on the basis of travel to and from, and within the relevant boundary. The base year is taken as privatisation in 1995/6 so statistics cover a 12-year period. There are many areas where rail travel has doubled and more. In Bristol 7.5 million journeys are now made annually compared to only 3.5 million journeys little over a decade ago. In Cardiff it is 13.6 million journeys compared to 7.3 million and there are many other examples of high demand covering regional population centres in England, Wales, and Scotland. Growth rates above 100% are common place. ■

## London Mayor consults on transport strategy



Transport for London has ordered a total of 57 four-car 'Capitalstar' trains for use on London Overground services. The EMUs are currently being constructed by Bombardier at its Derby Litchurch Lane Works. The build has recently been increased following approval of Phase 2 of the East London Line extension which will allow operations to Clapham Junction via the South London Line. Some units have already entered service and in this view set No. 378007 (a three-car formation which will be strengthened with an additional vehicle in 2010) is about to reverse at Willesden Low Level. The fleet is to be maintained at a newly commissioned depot located at New Cross Gate. Harry Hudson

THE LONDON MAYOR, Boris Johnson, is not a ceremonial figurehead and holds executive power for many functions in London that includes transport strategy. A recently published 20-year plan maintains commitment to the three large rail projects, Crossrail – completion in 2017, Thameslink (2015) and the East London line (2012) as well as upgrading London Underground routes to increase capacity.

The next major rail project is identified as Crossrail 2. A north east to south west route described as linking Hackney to Chelsea. Underground line extensions are also planned with the Northern Line reaching Battersea and lengthening the Bakerloo route to serve south east London.

LOROL, the recently created London Overground network, operated by the DB Regio/MTR consortium is also likely to

be extended. Firm plans have yet to be developed but the most likely extensions will cover inner London services which are operated with dedicated resources.

A further issue is the need to divert the Watford dc services away from Euston to create capacity for HS2 operations. Electrification of the Barking–Gospel Oak route is also to take place to remove the need for diesel train operation. ■