INFORMED SOURCES e-Preview August 2022

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Just a few days after Transport Secretary Grant Shapps told me that there would be no consultation on the Transport Bill creating the legislation needed to give Great British Railways its new powers, than what should arrive in my in-box but … the consultation document for the Bill. So making sense of that took up much of the time spent on this month's column. But there was also space for an encouraging update on the programme to extend the Midland Main Line electrification to Nottingham and Sheffield.

Brave new railway – more detail emerges

Franchising and the devolved nations conundrum

Access – dogma versus prejudice

Fares and retailing – all change?

Periodic Reviews to continue to set funding

GBR – costs and benefits assessed

MML electrification – template for decarbonisation

To make the consultation document more intelligible I have started with an over-view, followed by individual analyses of specific topics.

GBR will be an arm's-length public body of the Department for Transport, with 'clear separation between it and Government'. However, a fairly short arm, since the Transport Secretary will have powers over senior appointments, including the make-up of the Board, and will be able to intervene when necessary, with powers to issue guidance and directions on any matter.

GBR's duties and functions will include the responsibility for procuring and delivering the new Passenger Service Contracts (PSC), which will replace franchises.

While the ORR has emerged from the reforms with its powers largely unaffected, and financial independence strengthened, a new duty under the legislation could be controversial. Under the new Act, ORR will be required to 'facilitate the furtherance of GBR's policies on access to, and use of, the railway, where these have received Secretary of State approval'. I interpret this as imposing a harder line on applications from open access operators.

Definition and specification of the passenger services which PSCs will provide, plus the actual process to be followed in selecting an operator, 'will remain with the Secretary of State for Transport'. So can we expect DfT to continuing handing down fantasy Train Service Specifications for GBR to turn into working timetables?

Scots and Welsh challenged

The first detailed analysis looks at the devolved nations, where you can tell that DfT is walking on eggshells. While the proposed legislation 'will have impacts across the whole of Great Britain', the roles and responsibilities of the Scottish and Welsh governments 'will not be diminished'.

This could present problems for GBR. For example, I can't see Scotland's Railways giving up their Saltire-based livery for a new GBR corporate identity.

DfT hopes that the devolved railways 'will be strengthened, through close collaboration with GBR'. The legislation will provide for the Scottish and Welsh ministers to delegate their contracting authority for devolved passenger services to GBR. Fat chance!

Open Access – yes, but no

Over the decades, the DfT attitude open access operators at ORR consultations has been 'over our dead body'. But according to the Consultation Document, the main legislative protections for passenger and freight operators will be retained, giving the private sector 'certainty and confidence to make long-term investment decisions'.

I have some fun in this section noting how DfT tries to reconcile two diametrically opposed positions.

This leads into the Office of Rail & Road (ORR), where it had been mooted that the current regulatory powers would be curtailed under the new structure. In practice the Regulator has come out of the process quite well. It will continue to provide 'robust independent regulatory oversight' of the access framework and will also continue to set access charges for all operators on the national rail network through the quinquennial Periodic Review process.

However, in addition to facilitating GBR's policies on access, 'to further strengthen protections for taxpayers', DfT is proposing a 'limited legislative amendment' to ORR's competition duty. In addition to users, the regulator will also take into consideration public sector funding of rail services when applying the competition duty - including on access to the track.

Could be some interesting challenges when this comes into force.

Retailing upset

GBR will be responsible for fares, ticketing and the retailing strategy for the PSC operators. This will include making fares 'simpler, clearer and easier to understand'. In practice there will be two strands to fares reform – retail modernisation in the near term, with actual fares reform following on.

While I explored fares reform in detail in last month's column, the Consultation Document is more concerned with the immediate changes to the mechanics of retailing. We are promised 'an exciting revolution' in the way passengers buy and pay for their rail travel.

GBR will 'roll out' digital ticketing and contactless payments, while a new central sales website will replace the train operators' existing individual sites. This promise of a single, central state-owned ticket sales website has played havoc with thetrainline's share price. The smaller independents also have concerns, despite reassurance that independent retailers will continue to play an important role in the future.

Five-yearly Periodic Reviews retained

Existing legislation covering the Periodic Review of Network Rail's funding will be largely transferred to GBR. The current Periodic Review) for Control Period 7 (CP7) (2024-25 to 2029-30) is unaffected.

From CP8 (2030-35) onwards, GBR will produce a five year Integrated Business Plan covering both infrastructure and passenger services. But, only infrastructure funding will be agreed as part of this process.

Support for passenger services will be subject to separate funding processes 'through government fiscal events' as is the case today. Similarly, funding for major enhancements will continue to be allocated separately through DfT and the Treasury.

Periodic Reviews will continue to set GBR's infrastructure budgets and Track Access Charges (TAC). The Transport Secretary and Scottish Ministers will continue to provide ORR with their High-Level Output Specification (HLOS) and 'Statement of Funds Available' (SoFA).

ORR will continue to consider whether the proposed funding (SoFA) is sufficient to deliver the specified activities (HLOS). DfT notes that ORR's ability to make a 'declaration of a mismatch' will provide a strong incentive for government funders to align the outputs specified with the funding provided.

Transition to GBR costing £318 million

Published in parallel with the Consultation Document was DfT's supporting 'Impact Assessments' (IA). Unlike the Williams-Shapps Plan itself, the IA comes with some £ signs attached.

Total discounted (Net Present Value) costs of the structural reform are estimated to be £318 million over the first five years from April 2022-23. This includes, establishing the GBR Transition Team (GBRTT), the administrative costs of creating Great British Railways in legislation, plus on-going GBR running costs. Savings to the government over the same five year period, are expected to be £579 million.

DfT's 'non-monetised' benefits include reduced barriers to entry for bidders for Passenger Service Contracts. DfT claims that the introduction of PSCs will deliver 'efficiencies to government and wider benefits such as increased competition'.

When it comes to benefits for consumers, the IA reverts to the John Major Rail Privatisation Thesaurus. There will be an 'improved experience' for passengers, together with other operators (including freight), who will benefit from 'engaging with an organisation focused on serving the user'. Even the hordes of consultants in Whitehall would struggle to monetise that piece of motherhood and apple pie.

Interestingly, the GBR legislation will allow for Direct Awards to be made to Public Sector Operators (aka the Operator of Last Resort) in 'certain specific circumstances'. These specific circumstances are not specified.

MML electrification – focused on cost

I'm generally sceptical about mission statements. But when Lisa Webb, Network Rail's Principal Portfolio Manager, Midland Mainline Electrification, said at a briefing for potential suppliers, 'Our vision is to be the catalyst towards a decarbonised national railway', I could only nod in agreement. All eyes, especially at the Treasury, will be on the extension of the wires to Nottingham and Sheffield to see whether the industry really can deliver affordable electrification. As Lisa warned, 'the funding will go elsewhere if we don’t deliver this project’.

Starting unit cost is £3.1 million per single track km (stkm) and a significant reduction should have been achieved by the time the project is completed. Mike Heptonsdtall, Head of Production Integration, sees MML as the ‘template’ for the Traction Decarbonisation Network Strategy (TDNS) programme, ‘rolled out time and time again’, with the on-going cost reduction ‘based on LEAN (continuous improvements techniques) principles and not reinvention’.

A key development (Informed sources April 2022) has been a massive reduction in the need for the reconstruction of bridges to provide electrical clearance for the overhead line electrification. ‘Voltage Controlled Clearances (VCC) uses a range of techniques to minimise civil engineering work. In the column I have a graph showing how this has reduced track lowering on the MML scheme.

It is easy to overlook that there is more to electrification than the trackside hardware. In the column there is a detailed cost breakdown of direct and indirect costs, with the latter representing 55% of the total.

Contracts are scheduled to be let at the start of 2024. Five year framework contracts will be awarded to be drawn down as the work progresses. Performance on the initial contracts will ‘moderate’ work allocations for subsequent packages on later route sections in the programme. In other words, outperformance will be rewarded with more business.

My immediate reaction was that the procurement schedule was a bit pedestrian. But it makes sense when you realise that the railway can’t afford to get MML Phase 3 wrong. Even delivering to time and budget won’t be enough – it has to be an outstanding success to kick start the TDNS rolling programme.

TIN-Watch

Last month I reported how a Class 769 bi-mode EMU entering Manchester Oxford Road station turned into the equivalent of an electronic ‘jammer’. The ensuing interference was severe enough to generate reports of Wrong Side Failures with Reed track circuits. This month’s column has an update on the, slightly surprising, cause.

The new fleet reliability Table also sees one of its longest standing members, the Great Northern Siemens Class 717 EMUs, promoted.

Roger’s Blog

Last month, I mentioned that the DfT’s ‘Rail reform – 0ne year on’ presentation had been cancelled at the last minute. Well, when it was rescheduled for 5 July, the Editor and I both registered again – only to be told the day before that the media was not invited. An odd decision, since you might think the trade press was a good way to update the railway as a whole on what is going on.
Anyway, there was no shortage of meetings to attend. These started with the welcome return to a face-to-face event of Network Rail’s regular briefing session with Chief Executive Andrew Haines. A model that other parts of the industry could copy with advantage.

This was followed by Modern Railways 60th anniversary Parliamentary Reception. The line-up of speakers was a reminder of the magazine’s authority, while the guest list meant that there were more Informed Sources per square foot than anywhere in the universe that afternoon.

As an Honorary Vice-President of Railfuture, I get the chance to help judge the annual awards. This also includes researching some of the nominations and providing recommendations to my fellow members of the judging panel.

As ever, this annual task provided a welcome change from my usual activities. Talking to people about their local campaigns, ranging from restoring services to reopening lines, what impressed me was the professionalism local groups develop when it comes to obtaining support from a wider range of ‘stakeholders’ than I expected.

As ever, the judging itself was both fun and enlightening. In particular, this year there was an extensive discussion on campaigners’ use of the various forms of social media.

Meanwhile, August is pretty quiet in terms of meeting at the moment, which is a good thing, given the number of breaking stories queuing up to be analysed in the September column. Whatever happened to the ‘silly season’?

Roger