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Date: 04 September 2013

Dear Valentina Licata,

Centro response to the Office of Rail Regulation's Draft Determination of Network Rail's outputs and funding for 2014-19 (Control Period 5)

Thank you for the opportunity to comment on the Office of Rail Regulation's (ORR) Draft Determination of Network Rail's outputs and funding for 2014-19.

Please find our response below.

General Comments

As you are aware, Centro is looking to take on additional rail responsibilities during this Control Period 5 as the devolved funder and specifier of local rail services in the West Midlands.

As a result, the ability of the rail industry Business Planning Process (including the Draft Determination) to meet the requirements of passengers, businesses and other local stakeholders in the West Midlands is increasingly relevant to our organisation.

Centro is broadly supportive of the Office of Rail Regulation's Draft Determination objectives and the proposed regulated outputs for Control Period 5, which appear, at the national level, to be fit for purpose in terms of improved industry efficiency and meeting future capacity requirements.

However, Centro is extremely disappointed that the concerns, raised with the ORR in our response to the lack of West Midlands investment in Network Rail's Strategic Business Plan, and previously raised in relation to both the Initial Industry Plan and the High Level Output Specification (HLOS) publications, have been addressed in the Draft Determination document.

Since the publication of the Initial Industry Plan in 2011, Centro has consistently argued throughout the Business Planning Process for CP5 that the proposed level of rail investment for the West Midlands for 2014-19 is not only insufficient to meet

continuing demand for additional passenger and freight capacity, but is actually inequitable in that it places the West Midlands region at a significant disadvantage when compared to the proposed levels of rail investment in the North of England or London & the South East.

As a result, the comparatively low level of rail investment proposed for the West Midlands both fails to exploit rail's potential to support economic growth & job creation and doesn't deliver the level of additional network and rolling stock capacity required to keep pace with the background levels of demand. We will cover this specific issue in more detail later in this response.

Centro nevertheless welcomes the Draft Determination confirmation of funding for the following HLOS/Strategic Business Plan schemes which will, to some extent, support regional economic growth through improved connectivity and provide at least part of the additional rail capacity required to meet continuing demand for rail travel in the West Midlands:

- Coventry – Leamington Spa Capacity Enhancements
- Walsall – Rugeley Electrification
- Electric Spine (Nuneaton – Coventry – Leamington Spa – Oxford)
- Stafford Area Capacity Enhancements

Centro also generally welcomes the pragmatic approach to decision making and the open consultation process followed by the Office of Rail Regulation, although we note that some decisions, such as those resulting to freight charges appear to be something of a “fudge”, driven perhaps by the need to reach a practical compromise.

We would, however, like to reiterate that the arguments made by Centro in response to previous consultations generally remain valid, especially in respect of Schedule 4 & Schedule 8, Volume Incentive, Capacity Charge, REBS, etc.

Specific Comments:

Access Charges

PR13 represents a further evolution of thinking on Access Charge policy, however, we remain to be convinced that the current structure offers the optimal solution.

Centro will be seeking a radical review of the structure of charges in CP6 which fundamentally reappraises the current structure and rigorously questions whether the complexity of the current system offers value for money, transparency and appropriate behavioural incentives. There also needs to be an in depth consideration as to whether a restructuring of Schedule 4 and 8 regimes could deliver reductions in industry costs.

Centro is currently engaging with ORR / Network Rail on the Capacity Charge proposal and does not support any option which sees the manifestly wrong CP4 rates continue to be applied into CP5.

Route-based Efficiency Benefit Sharing

Centro remains sceptical about the practicality and effectiveness of the proposed route-based efficiency benefit sharing (REBS) mechanism which we doubt will deliver an effective benefit sharing mechanism on a complex, large, multi-operator Network Rail route such as London North Western.

We therefore welcome the ability for individual Train Operating Companies to opt-out of REBS, and to negotiate specific agreements for individual projects. Centro would also look to develop specific agreements directly with Network Rail should it become the franchising/contracting authority in the West Midlands where we believe we can jointly deliver better solutions for the region.

Funding for Scheme Development in CP5

We note that the ORR is critical of the level of development of some CP5 schemes in the Strategic Business Plan and also that some of the schemes for which development funding was allocated in CP4 are not being taken forward in CP5.

Whilst we have some sympathy with this view, it must be acknowledged that not all identified schemes will ultimately offer the most appropriate solution and that, as circumstances change, new schemes will be required to address emerging challenges, such as the future requirement to provide improved connectivity to HS2 stations and services from the surrounding rail network.

We would, therefore, not support any reduction in scheme development funding, but rather argue that more funding is required in order to have sufficient “shovel-ready” schemes available for Control Period 6.

Transparency and Disaggregation of Data in a Devolved Franchise Scenario

As previously highlighted, Centro is proposing to take on additional rail responsibilities under a devolved West Midlands rail franchise. In this respect, transparency of information will be essential if we are to be able to make effective investment and policy decisions.

However, such transparency is not always readily available due to the relatively coarse disaggregation of some information to Network Rail route area, which makes it difficult to understand specific West Midlands issues at a regional level.

A more flexible approach to rail industry data collation and presentation is, therefore, urgently required if policy makers and investors are to be able to make informed decisions at a sub-Network Rail route level.

As a minimum, the data for large Network Rail routes such as London North Western needs to be at least capable of being split down into more meaningful operational areas e.g. Southern West Coast Main Line, West Midlands and North West/Cumbria in order to provide the required level of granularity for regional decision-making.

Ongoing Concerns in respect of levels of Rail Investment in the West Midlands

Centro welcomes the fact that the Draft Determination confirms funding for several major rail investment schemes which will support regional economic growth through improved connectivity and provide some of the additional rail capacity required to meet continuing demand:

- Coventry – Leamington Spa Capacity Enhancements
- Walsall – Rugeley Electrification
- Electric Spine (Nuneaton – Coventry – Leamington Spa – Oxford)
- Stafford Area Capacity Enhancements

However, we remain extremely concerned that:

- 1 The proposed level of additional passenger capacity for CP5 will prove insufficient to meet continuing demand leading to severe overcrowding on the West Midlands rail network and forcing passengers on to other, less sustainable transport modes.

The proposed additional rolling stock capacity provision for the West Midlands in CP5 is also significantly less than that being provided for Leeds and Manchester in spite of the rail network into Birmingham seeing worse peak-time overcrowding than is experienced in the two Northern cities.

Centro has previously submitted evidence to the Office of Rail Regulation and Department for Transport on this subject (see Appendix 1) and is extremely disappointed that this inadequate and inequitable proposal for the provision and distribution of additional train capacity (and its underlying methodology) is effectively being “rubber-stamped”, rather than challenged, by the ORR.

- 2 The proposed Water Orton (Birmingham - Tamworth) Corridor capacity enhancements, which featured in the Government’s 2012 High Level Output Specification for Control Period 5 and the earlier West Midlands and Chilterns Route Utilisation Strategy, were dropped from the Strategic Business Plan.

Centro has provided further information on the specific issue of the Water Orton corridor to the Secretary of State for Transport and a copy of this correspondence is attached (Appendix 2).

In addition, a study currently being undertaken for Centro by MDS Transmodal on rail freight growth has shown that Water Orton Junction (which already has a high Capacity Utilisation Index of 50%) is likely to become the most significant rail network bottleneck in the West Midlands with future demand far outstripping available capacity, which will restrict growth in

both the passenger and rail freight sectors. Centro will be shortly in a position to share this new analysis with the ORR, Network Rail and Department for Transport.

- 3 The short-term focus on “efficiency” and “cost-reduction” has in recent times proved counter-productive leading to project de-scoping and a failure to deliver the originally envisaged outputs. This has in some instances led to both the perpetuation of the original problem and an increase in the subsequent cost of addressing an issue in the longer term.

The rail industry needs to be able to resist financial pressures to adopt a “minimum scope” for schemes such as Coventry – Leamington Spa Capacity Enhancements, which would fail to address the long term requirements of the route and wider rail network.

- 4 Similarly, Centro wishes to see a commitment from the rail industry to completing the named CP5 investment schemes within the 2014-19 timescale. The delivery of the CP4 Cross City South electrification and capacity enhancement project, which should have been completed by 2014, has for various reasons slipped to 2015/16 and such delays need to be avoided in future.

Early signs from CP5 schemes such as Walsall – Rugeley Electrification, where considerable progress is being made in developing and finalising the scheme, are however, encouraging and Centro wishes to see this positive momentum maintained.

- 5 The Snow Hill Lines Enhancement proposal currently being promoted by Centro and the three West Midlands Local Enterprise Partnerships (Greater Birmingham & Solihull, Black Country, Coventry & Warwickshire) would dramatically improve regional connectivity through improvements to journey times and service frequencies and would also reduce overcrowding on this increasingly busy suburban and regional network.

As such, the Snow Hill Lines Enhancement scheme (for which some Local Transport Board Major Scheme Funding has been identified for 2014-19) could be realised through a funding contribution from the Passenger Journey Improvement fund proposed for CP5. However, there is still some uncertainty as to how these national funding elements will be allocated and what the decision-making process will be, especially when competing schemes within individual Network Rail routes are being appraised.

- 6 Further options to maximise the benefits of committed CP5 projects, such as building on the Walsall – Rugeley Electrification Scheme to electrify a short section of route to a new station at Aldridge, are beyond the scope of the ORR’s Draft Determination deliberation.

Centro would wish to see a mechanism whereby such “added value” schemes, (which in the case of the Aldridge Station/Electrification proposal have already secured a Local Transport Board funding contribution of £5.8m) can be “fast-tracked” in order to secure potential economies of scales through being planned and implemented as an option of the main CP5 funded scheme.

- 7 Finally, looking ahead to the rail industry’s Business Planning Process for Control Period 6, Centro believes that more emphasis will be required on facilitating schemes that will enhance the connectivity and wider economic benefits of Phase 1 of HS2.

In particular, schemes which will improve connectivity to the two West Midlands HS2 stations, as well as providing for future local rail demand, will enable the benefits of the new high speed rail line to be maximised across the wider West Midlands region.

Summary and Next Steps

Throughout the ongoing rail industry business planning process, Centro has consistently argued for greater West Midlands rail investment in Control Period 5.

We have, therefore, been pleased that it has proved possible to make a case for significant enhancements such as Walsall to Rugeley Electrification which did not feature in the original 2011 Initial Industry Plan.

However, in many areas we feel that, whilst there are some undoubted benefits which will accrue to the West Midlands from major projects such as the “Electric Spine” and Stafford Capacity Enhancements, the process has at times moved backwards rather than forwards.

We therefore remain concerned that the lack of further rail schemes to provide significant capacity or connectivity improvements during CP5 will act as a constraint to regional economic growth, especially towards the end of the decade.

Centro also strongly contends that far more significant investment in the West Midlands rail network will be required in CP6 (2019-24) if the potential benefits of HS2 (opening in 2026) to the wider West Midlands regional are to be realised through improved local rail connectivity to the new high speed rail stations.

We nevertheless recognise that the Draft Determination represents the start of the final phase of the rail industry's Business Planning Process for Control Period 5.

As such, Centro is committed to working with the rail industry, Department for Transport and Office of Rail Regulation as appropriate to see if our outstanding concerns, especially in respect of meeting future passenger demand during CP5, can be addressed through other mechanisms.

Thank you once again for the opportunity to comment on the Draft Determination.

If you have any questions regarding this response please do not hesitate to contact me.

Yours Sincerely,



Toby Rackliff

**Rail Development Manger
Centro**

Appendix 1: Outstanding West Midlands Rail Passenger Capacity Concerns

Centro is particularly disappointed with the conclusion outlined in Section 9.71 of the Draft Determination that the model used to determine whether the proposed SBP interventions meet the peak growth requirements of the HLOS “*was fit for purpose*”.

This totally ignores Centro’s argument in our response to the Strategic Business Plan, that the methodology supporting the HLOS capacity metric has been inconsistently applied.

This has resulted in HLOS capacity metrics for the West Midlands which are significantly below those for Leeds and Manchester, in spite of the West Midlands experiencing the highest levels of growth outside of London.

This has consequently led to a comparative lack of proposed SBP interventions to address peak overcrowding in the West Midlands during CP5.

The end result is that level of investment in schemes to increase capacity for rail passengers being proposed in the North of England is far greater than that proposed for the West Midlands.

As previously advised Centro does not believe that, the additional capacity proposed in the Strategic Business Plan for the West Midlands reflects either the growth seen in previous years or the anticipated growth in future years as the City centre continues to grow and transform its economy.

Rail Industry: Business Plan Proposal		Peak 3 Hours			High Peak Hour	
Additional Passenger Capacity: Birmingham	Forecast demand in 2013/14	Extra demand to be met by 2018/19	% Increase 2013/14 to 2018/19	Forecast demand in 2013/14	Extra demand to be met by 2018/19	% Increase 2013/14 to 2018/19
SBP Seats	37,500	3,600	9.6%	19,200	2,300	12%
Actual Growth at 5.5% p.a.	37,500	11,250	30%	19,200	5,760	30%
Potential Seat Shortfall 2019		7,650			3,460	
SBP Vehicles	774	53	6.8%	299	32	11%
Actual Growth at 5.5% p.a.	774	232	30%	299	90	30%
Potential Vehicle Shortfall 2019		179			58	

Whilst the commitment in the Strategic Business Plan to provide some additional passenger capacity was welcome this is only around half that required to meet the continuing passenger growth (circa 5.5% p.a. over the past decade) actually being experienced in the West Midlands.

Given that the DfT's own figures demonstrate that, across a variety of metrics, the rail overcrowding situation in the West Midlands is second only London's, Centro strongly urges that ideally the previous average growth of circa 5.5% per annum should be used, instead of the DfT's circa 2.5% forecast, as a baseline for ongoing HLOS planning assumptions and capacity metric analysis

Furthermore, the SBP comparison between the extra demand proposed for Birmingham, Manchester and Leeds shows an even more inequitable situation being created than that specified in the SBP.

Rail Industry: Business Plan Proposal	Peak 3 Hours			High Peak Hour		
	Forecast demand in 2013/14	Extra demand to be met by 2018/19	% Increase 2013/14 to 2018/19	Forecast demand in 2013/14	Extra demand to be met by 2018/19	% Increase 2013/14 to 2018/19
Birmingham	37,500	3,600	9.6%	19,200	2,300	12%
Leeds	25,400	10,300	41%	13,000	2,800	22%
Manchester	28,100	25,100	89%	13,600	9,000	66%

For example the SBP as proposed will enable an additional 89% seats into Manchester during the 3 hour AM peak compared to less than 10% into Birmingham.

We recognise that the additional capacity proposed for the Northern England is to some extent driven by the substantial investment in the Northern Hub scheme and the North West & Trans-Pennine electrification proposals, both of which facilitate the provision of longer trains in the north of England.

However, even taking into account the impact of this additional infrastructure investment in the North (which arguably is equally necessary in the West Midlands), the SBP capacity proposals are unlikely to be sufficient to cater for the growing rail market in the West Midlands.

It is our view that an additional 30% additional capacity is likely to be required on the West Midlands rail network in CP5 to meet these background levels of demand.

We believe that this lack of investment and network capacity will act as a barrier to future economic growth and job creation in the West Midlands and put the region at a significant disadvantage compared with our competing city regions in the north.

Appendix 2: Letter to Secretary of State for Transport re: Water Orton Corridor

Rt Hon Patrick McLoughlin MP
Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

Our Ref: Centro/SoS/WaterOrton1
Contact Details: Geoff Inskip
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Date: 26 July 2013

Dear Secretary of State,

Centro Briefing Note on Water Orton Rail Corridor Capacity Proposals July 2013

The Water Orton corridor is one of the most important rail links in the country connecting not just the West Midlands but also the South West and South Wales, with the East Midlands, East Anglia, Yorkshire, the North East and Scotland.

The Water Orton corridor also provides direct access to the container terminals at Lawley St, Hams Hall and Birch Coppice, the Jaguar Land Rover terminal at Castle Bromwich and other freight terminals in the West Midlands region.

Centro has long recognised the importance of the corridor in carrying national, regional, local and freight traffic as well as the constraints the corridor poses in terms of meeting future passenger and freight growth.

It is within this context that Centro is deeply disappointed that one of the relatively few West Midlands rail infrastructure investment proposals for Control Period 5 (2014-19) known as the Water Orton Capacity Enhancement scheme will not now be delivered in this period. In spite of being included in the HLOS, the Water Orton Corridor Capacity scheme was unexpectedly dropped from the Strategic Business Plan for CP5 published in January 2013 by Network Rail.

As a consequence the project was not considered in the Office of Rail Regulation's Draft Determination for CP5. We believe this to be a serious oversight which will unnecessarily constrain growth on the Water Orton corridor.

As the above highlights, this is not a new challenge and work recently undertaken by Centro suggests that the problem is not going to go away and will in fact get worse. This omission was recognised in the West Midlands and Chilterns Route Utilisation Strategy which again highlighted the need for additional passenger and freight capacity on this corridor.

As a minimum we believe that the enhancements delivered as part of the resignalling project should be reinstated in to the CP5 programme. It should also be noted that even if this scheme is delivered it will not on its own solve the capacity challenge facing the corridor.

There is therefore an urgent need for Network Rail to fully identify the conditional outputs required for the corridor and investigate interventions to address the capacity challenge. The briefing note attached below explains the history and need for the scheme in greater detail.

Centro is keen to work in partnership with Network Rail to ensure this challenge is address in order that the national as well as local benefits of addressing the Water Orton corridor can be captured.

Yours sincerely,



Geoff Inskip

**Chief Executive
Centro**

Centro Briefing Note on Water Orton Corridor Growth Requirements and Capacity Enhancement Proposals (July 2013)

1. The Water Orton corridor is one of the most important rail links in the country connecting not just the West Midlands but also the South West and South Wales, with the East Midlands, East Anglia, Yorkshire, the North East and Scotland.
2. The Water Orton corridor also provides direct access to the container terminals at Lawley St, Hams Hall and Birch Coppice, the Jaguar Land Rover terminal at Castle Bromwich and other freight terminals in the West Midlands region.
3. Centro has long recognised the importance of the corridor in carrying national, regional, local and freight traffic as well as the constraints the corridor poses in terms of meeting future passenger and freight growth.
4. In order to further inform Centro's strategic responsibility towards rail policy for the West Midlands rail network, covering both passenger and freight services, as well as our rail devolution plans Centro commissioned MDS Transmodal to undertake a strategic network study to determine the implications for the rail network as a consequence of projected passenger and freight train growth once HS2 is opened and the West Midlands rail network can be enhanced utilising the released network capacity.
5. The findings of the study towards Water Orton were stark. By 2030, the corridor will need to handle an additional 6 trains in each direction per hour to meet passenger and freight demand. Without intervention, some if not all of the following conditional outputs requirements could not be delivered:
 - Maximising rail freight access to key freight terminals at Lawley Street, Birch Coppice and Hams Hall
 - Delivering local commuter services between Tamworth/ Nuneaton and Birmingham meaning residents there will not be able to access jobs in the metropolitan area without adding to motorway congestion.
 - Supporting enhanced national rail connectivity through new and additional Cross-Country services along the corridor

Water Orton Enhancements

6. It is within this context that Centro is deeply disappointed that one of the relatively few West Midlands rail infrastructure investment proposals for Control Period 5 (2014-19) known as the Water Orton Capacity Enhancement scheme will not now be delivered in this period. In spite of being included in the HLOS, the Water Orton Corridor Capacity scheme was unexpectedly dropped from the Strategic Business Plan for CP5 published in January 2013

by Network Rail. The scheme has now been dropped from the Strategic Business Plan and is not considered in the Office of Rail Regulation's Draft Determination for CP5. We believe this to be a serious oversight which will unnecessarily constrain growth on the Water Orton corridor.

7. The project formed part of the West Midlands and Chilterns Route Utilisation Strategy recommendations which were included the 2011 Initial Industry Plan (IIP) for Control Period 5.
8. The Water Orton Capacity Improvements also subsequently featured as one of the Government's 2012 High Level Output Specification (HLOS) schemes for the West Midlands.
9. Whilst the scheme would not on its own have solved the capacity challenge, it would have contributed the following benefits:
 - 4 Aspect Signalling and access enhancements to Kingsbury/ Birch Coppice
 - Reduced signal headways leading to capacity improvements
10. Whilst not as extensive in scope as the original 4 tracking and major junction improvements included in the resignalling scheme, these improvements would have still have provided some significant additional capacity for future rail growth.
11. As the above highlights, this is not a new challenge and the work we have commissioned suggests that the problem is not going to go away and will in fact get worse. This omission was recognised in the West Midlands and Chilterns Route Utilisation Strategy which again highlighted the need for additional passenger and freight capacity on this corridor. Network Rail had originally proposed that the 2008 Water Orton Resignalling scheme include significant additional infrastructure capacity including:
 - four tracking of the route between Landor St (Birmingham) & Water Orton
 - upgrade from 3 to 4 aspect signalling
 - major remodelling of the Water Orton junction to provide better segregation of flows to Derby and Leicester

Regrettably all these capacity improvements were subsequently de-scoped from the resignalling project which largely renewed the signalling on a purely "like-for-like" basis with no subsequent increase in the capacity of the route

This has led to indefinite delays to Centro's aspiration for enhanced local commuter rail services between Tamworth/ Nuneaton and Birmingham.

Next Steps

12. As a minimum we believe that the enhancements delivered as part of the resignalling project should be reinstated in to the CP5 programme. It should also be noted that even if this scheme is delivered it will not on its own solve the capacity challenge facing the corridor. There is therefore an urgent need for Network Rail to fully identify the conditional outputs required for the corridor and investigate interventions to address the capacity challenge.
13. Centro is keen to work in partnership with Network Rail to ensure this challenged is address in order that the national as well as local benefits of addressing the Water Orton corridor can be captured.

Appendix – Overview of Previously Proposed Infrastructure and Service Schemes on Water Orton Corridor

1. Four Aspect Signalling on the Water Orton corridor

This originally formed part of the resignalling proposal for this corridor but was unfortunately a victim of specification de-scoping in an attempt to reduce costs.

Four aspect signalling would decrease headways and increase the capacity of this busy route for additional passenger and freight services

2. Improved access to/from north from Kingsbury freight terminals

Currently freight trains serving the three freight terminals (Oil, Scrap Metal and Birch Coppice Intermodal) cannot directly access the Kingsbury branch from the north and have to shunt on the main running lines.

This operational constraint has a significant impact on the line capacity which this element of the scheme would have been removed

3. Introduction of local passenger services between Birmingham and Tamworth/Nuneaton

This element of the proposal fulfilled a West Midlands and Chilterns RUS recommendation to provide local services on this route to relieve overcrowding on the longer distance CrossCountry services.

This would have required a new turnback facility at Tamworth and potential signalling changes at Nuneaton station, but would have delivered:

- a significant expansion of the local rail network
- provided additional peak capacity into Birmingham
- released capacity on CrossCountry trains for longer distance passengers
- removed the need for Cross Country services to call at relatively minor stations such as Wilncote and Water Orton

The proposal could also have reduced the amount of rail-heading by Tamworth residents to Cross City line stations and could have also facilitated the future opening of rail stations to serve population centres and businesses in locations such as Castle Bromwich and West Nuneaton.

Centro is aware had been aware that the business case for local passenger element of the Water Orton Corridor Capacity scheme might have required some additional work to provide a more accurate picture of the scale of the passenger problem (and the potential benefits of resolving it) which is understated due to three factors:

- Fares on the Tamworth/Nuneaton corridors into the West Midlands conurbation (set by the long distance operator CrossCountry) are up to 40% higher than those for the rest of the travel to work area
- The relatively high car park charges at Tamworth/Nuneaton act as a disincentive to local rail travel
- The number potential rail passengers from Tamworth who either rail-head to Cross City line stations (where cheaper, more frequent services are available) or who choose a non-rail mode to travel on this corridor

Centro is however, happy to continue to work closely with Network Rail, Department for Transport, the wider rail industry and local stakeholders to resolve these issues at the earliest opportunity.