INFORMED SOURCES e-Preview March 2020

INFORMED SOURCES e-Preview March 2020

Safety takes the lead this month as I return to a topic first covered in Informed Sources nearly 15 years ago. With several franchises in trouble, I also have a detailed analysis of government support for the railway, which leads into an update on the state of the zombie franchises.

Culture still dogs Safety Critical Communications

Support for railway hits 10 year high

Domino theory – Northern the latest to fall

New train TIN-Watch

In 2003 the Rail Safety & Standards Board (RSSB) set up a Safety Critical communications Focus Group. This was in response to Network Rail's introduction of the GSM-R (Global System for Mobile Communications – Railway) radio communications network. The aim of the Focus Group was to 'facilitate the progressive improvement of front line operational communications'.

I wrote up this work in the November 2004 Informed Sources. RSSB's background briefing included an example of what they were then up against. This took the form of an anonymised recorded radio conversation between the driver of a tamper wanting to enter a possession and a signaller.

It made grim reading and I republish it in the column.

RSSB had already produced a Railway Group Standard and accompanying Code of Practice covering Safety Critical Communications (SSC). However, these focused on ensuring that staff were trained in communicating correctly. They did not cover the content of these communications.

Similarly, Section 3 of the then-current Rule Book was all about when and when not to communicate using telephone, radios or bell codes. It listed the required information but not how to communicate it.

This was remedied in 2017 when RSSB published 'Safety Critical Communications: The Manual', intended as a day-to-day reference guide. It includes 'cue cards', or scripts, for typical conversations and supplements the six modules in the Safety Critical Communications (SCC) training package, also provided by RSSB.

But when, in 2019, an RSSB research project reviewed the take-up of the SCC Training Programme the results were disappointing. While 17% of those surveyed had used the training materials, less than half were aware of their existence. Given that it is 15 years since the SCC Focus Group began working, the current situation is worrying.

Judging by the transcripts in an RAIB Report into a near miss at Balham on 20 April 2019, the industry continues to struggle to embed SCC. A tamper had been working wrong direction on the Down Brighton Fast from Selhurst to Streatham Common.

After a series of misunderstandings the tamper left the possession still on the Down Fast and continued into Platform 3 at Balham Station. Only 75 seconds earlier another train had left Platform 3 and crossed over the junction from the down Brighton fast line to the down Crystal Palace line.

RAIB's report is scathing over the standard of SCC 'throughout' which was 'well below that expected'. Nobody had a clear understanding of the location of the tamper or the actions to be taken.

RAIB also notes that in addition to the voice recordings, verbal evidence showed that several of the witnesses involved in the incident felt embarrassed to use correct SCC methods, both when conversing with colleagues they were familiar with and with members of staff they had not previously encountered.

Overall, RAIB concluded that that over the past twenty years SCC has not been embedded as standard practice in the rail industry. Causes include competence and training, monitoring and social and cultural issues.

RAIB adds that while several attempts have been made to enhance training and improve the standard of communications, the standard of verbal safety communication is poor across the different sectors of the rail industry. There is a 'particular concern' with infrastructure operations where 'it is clear that many staff have not adopted the necessary protocols, and that some staff still feel 'socially embarrassed' by using formal methods of communication.

Naturally, I asked Network Rail and the rail safety regulator for their reaction to this report.

Shaun King, Network Rail Route Director, Sussex said: 'We have received the RAIB report into the near miss at Balham in April 2019. The safety of all those who use the railway is our top priority, and we take our responsibilities very seriously to ensure safety is maintained. We understand that communication at this time was not at the level expected and we will continue to work closely with RAIB and consider any recommendations made.

An Office of Road & Rail spokesman told me: 'Network Rail has effective systems in place for Safety Critical Communications, these are both regularly tested and thoroughly reviewed. There does however appear to be an inherent cultural issue when it comes to dealing with issues arising from their implementation.

As in the case of Balham, we are engaging at the most senior level within Network Rail to ensure there is a more rigorous approach in holding to account those who may misuse any Safety Critical Communications systems'.

Paraphrasing the ORR reply, 'on paper Network Rail has all the right procedures needed to satisfy us, but out on the real railway people aren't taking any notice, and we want to ensure any miscreants are punished.

Support up £1bn in last three years.

Government support for the passenger railway is a complex subject which I have tried to explain over the years. With franchising in turmoil, this month I thought an update was due.

Since 2010-11 the franchised train operators collectively have been paying more in premia than they were receiving in subsidy. This led the Rail Delivery Group to trumpet in 2015 that 'the £10.5bn of revenue generated by the rail industry now more than covers the day-to-day running costs of the railway (£10.3bn). Twenty years ago, the railway ran at a £2bn loss'.

As I explain in the column, this claim was disingenuous. For the first five years of privatisation all of Railtrack's income came from track access charges paid by the passenger and freight operators. Subsidies paid to franchises helped cover their track access charges. If we take 1997-98 as '20 years ago', the TOCs had received £1.8bn in government grants – near enough RDG's '£2billion'. But that was the total central government support for the railway.

Then DfT changed the rules. What was now Network Rail received a Direct Grant and the franchises paid only their Variable Track Access Charges (VTAC). These notionally covered wear and tear of the infrastructure.

Lower Track Access Charges cut Train Operators' costs, so that by 2015-16, that £1.8bn grant had been replaced with a premium paid to Government of £817m. No wonder RDG was shouting the triumph of privatisation!

What RDG omitted to point out was that Network Rail was now also getting the thick end of £4bn a year in Direct Grant.

But in 2018-19, for the first time in eight years, the passenger railway, collectively was once again reliant on subsidy. Over the last three years, the swing from net premium to net subsidy means that DfT is paying out an extra £1.1bn to the franchised passenger train operators.

However, this is not the full story. As mentioned earlier, TOCs no longer pay the full cost of access. Both DfT and ORR allow for this in their cost data by dividing Network Rail's Direct Grant pro-rata between the franchised operators.

This is termed the TOC's 'Network Grant' and makes a big difference to TOC finances. For example, in 2018-19 Chiltern paid a premium to DfT of £45.9m. But allowing for the TOC's Network Grant of £89.2m, the premium became an overall subsidy of £43.3m.

What must really gall Government is that despite more money going into the passenger railway, it is facing a string of failing franchises, with the Operator of Last Resort (OLR) on overtime. And that's before Government loans to Network Rail. Since 2014-15 these have totalled £31bn

So with all this money swilling around, and ridership still rising, what explains the recent spate of failing franchises? The fatal flaw in franchising, as devised by the Government, is that its primary role was seen as reducing the cost of the railway to the state. The initial franchises were awarded to the bidder requiring the lowest subsidy. Not only that, the subsidy was expected to reduce year-on-year.

After Network Rail's Direct Grant was introduced, for some franchises the criterion for success became the highest premium – increasing year-on-year. If a franchise did not generate sufficient cash to pay the premium, the owner had to make up the shortfall. If a subsidy was insufficient to cover costs, the owning group had to pay to keep the franchise going.

These payments have been covered by what is known as Parent Company Support (PCS) from the franchise owner. When the PCS piggy-bank is emptied the franchise defaults. Which brings us to the failing franchises.

Failing franchises - who's next?

While the main-stream-media talked of Arriva being 'stripped' of its Northern franchise, that is to over-dramatise what happened. Rather, the franchise was fast running out of money and the Operator of Last Resort (OLR) is due to add Northern to its portfolio from 1 March.

How had it come to this? It had been obvious since early last year that Northern was a genuine Zombie franchise, caught in a multiple squeeze.
First there was the late-running infrastructure, particularly electrification. Then came the May 2018 timetable crisis. Meanwhile, the running sore of strikes over the guard's duties was ever present.

Most recently, recovery of the timetable was hampered by the late delivery of new trains and the associated impact on capacity and driver training. Delays in the Castlefield corridor were hammering performance.

But government action was triggered by concern over the deteriorating financial position. In a statement on January 9 Transport Secretary Grant Shapps reported that the most recent available financial information had confirmed that the franchise would be able to continue for only a 'number of months'.

On 29 January came the expected announcement that OLR would be taking over. The only slight surprise was the date – 1 March. This urgency suggested that the financial situation was worse than suspected.

100 days

Full details of DfT's announcement are in our News pages, including the immediate actions. However recovery is not going to be quick, simple or cheap.

Which is why OLR Chief Executive Robin Gisby has allocated the first 100 days to developing a plan to recover the franchise. Implementing the plan is likely to take couple of years.

First on the to-do list is to try and sort out capacity in the Manchester Area. Grant Shapps is looking to OLR to work with Network Rail 'and build a comprehensive new master plan to review congestion around Manchester'. But which services to cut is predominantly a political issue, since other operators running through Manchester have contractual access rights and franchise commitments.

Why is calling in OLR any different to agreeing a Direct Award franchise agreement with the incumbent operator? Above all the management and staff are freed from the tyranny of financial commitments in a franchise agreement three or four years old and overtaken by events.

Instead, OLR treats its franchises like normal businesses. The franchise aims to make a surplus. Some of this is invested back into the franchise and the remainder paid to DfT as a 'div.

Nor does management have to keep reporting back to DfT to tick off obligation in the franchise agreement. Counter-intuitively, 'state control' brings flexibility and releases innovation.

SWR next

One of the problems in detecting incipient franchise failure is the delay in the financial report process. Thus SWR did not post its results for the year to 2019 until early this year. These showed an operating loss of £138m and premium payments to DfT of £250m.

On 22 January Shapps issued a statement confirming that SWR's recent financial statements 'have indicated that the franchise is not sustainable in the long term'. The combination of 'poor operational performance' and slower revenue growth, meant that SWR's financial performance was 'significantly below expectation since the franchise started in August 2017'.

SWR is still meeting its financial commitments and DfT will ensure that 'SWR are held to their financial obligations under the current franchise'. In other words, as with VTEC, First/MTR will continue to run the franchise until the Parent Company Support runs out.

Because of the delay in financial reporting, we don't know how long the Parent Company Support will last. Informed Sources suggest another three months before the death ride ends.

ScotRail is also losing money, £8m in the last report & accounts, and has increased its borrowings from its parent company. But the Scottish Ministers have taken a different approach.

Under the terms of the Franchise Agreement, in the fifth year of the franchise Transport Scotland and Abellio ScotRail had to revisit cost and revenue assumptions and the future subsidy requirements.

Under this 'rebasing process' the Transport Scotland and Abellio ScotRail could agree terms to continue until March 2025, with subsidy levels based on revised revenue and costs. A decision was required by 31 December 2019 and Transport Scotland was not persuaded that the 'significant increase in public subsidy' required by ScotRail would generate 'commensurate benefits for passengers, communities and the economy'.

Meanwhile, back in England, DfT faces the quandary of what to do about Great Western and Southeastern. Great Western has a Direct Award franchise agreement which expires on 31 March.

DfT's aim was to negotiate a new Direct Award taking the franchise through to 2022 with an option to extend for a further two years. Terms have yet to be agreed.

In the case of Southeastern, DfT's requirements for the replacement franchise were unrealistic before the pensions issue emerged. A protracted bidding process ground to a halt and the latest of several Direct Awards runs out on 1 April this year. Another Direct Award seems likely.

New train TIN-WATCH

In February ScotRail publicised their Hitachi Class 385 EMUs as the most reliable new trains on the network, based on last month's table. It was fortunate that they got the press release out promptly, because the Class 385s have already been usurped.

No skin off Hitachi's nose, however, because the new top-dog is Hull Trains with their two Class 802 bi-modes now in service. With the TransPennine Class 802s also in fourth place we are learning yet again, that buying an established design with millions of miles already under its bogies, and from a 'hot' production line, is a good way to get a reliable train.

But note that Hitachi's victory procession is split by the TPE Nova 3 Loco-hauled trains. The lesson here? Combine a well shaken-down loco, the Class 68, with some simple coaches, and you should have less to go wrong compared with an all singing/all-dancing DMU.

Informed update

Following a meeting on 14 January to discuss the Rail Replacement coach crisis (Informed Sources February) with the Rail Delivery Group, Transport Minister Chris Heaton-Harris took a more emollient line in a follow-up letter on 23 January. A 'robust and achievable plan' is to be produced by 31 March. This will include a series of milestones and delivery points to show how the industry will move to providing fully compliant rail replacement services.

This seems to miss the point that the issue is not providing compliant services, but suitable vehicles for longer distance operators. You can, of course, run a Carlisle-Glasgow replacement service with a compliant double decker bus, but a coach is preferable and compliant coaches are in short supply.

Anyway, while the plan is being produced, train operators can now apply for special authorisations to use non-compliant vehicles on rail replacement services until 30 April.

Roger's Blog

It's always a pleasure attending a Modern Railways Fourth Friday Club awards ceremony where I am not the presenter. The morning conference for the Golden Whistles had some excellent speakers – with Network Rail's Chief Executive setting the tone. At lunch I enjoyed the company of some old chums – no names to protect the innocent. Alex Hynes, Managing Director, Scotland's Railway, made those of us from south of the border feel envious in his after lunch presentation.

Last month I said that the diary was pretty empty and the tables in the March column will show how I made use of the desk-time. There were a couple of back-ground meetings, but as my advice was being sought I'll say no more.

At the end of this week it's the IMechE Lunch. March is going to fill up a good number of note-book pages, with Accelerate Rail, the Rail Forum's Annual Parliamentary Reception and Waterfront's inaugural decarbonisation conference.

Meanwhile, now that HS2 has got the go-ahead, there is talk of an imminent announcement of a decision on electrification as part of the Trans-Pennine Route Upgrade to keep the Northern political pot boiling while HS2 Phase 2b is reviewed.

However I'm more concerned about an early commitment to reinstate Midland Main Line electrification to Derby, Nottingham and Sheffield. Much of the preparatory work has been done – shovel ready as the saying goes – and we need to ensure continuity of work for the existing MML electrification team.

Fingers crossed.

Roger