INFORMED SOURCES e-Preview July 2023

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Dominating this month's column is Network Rail's Strategic Business Plan (SBP). This covers the next five year Control Period starting on 1 April next year. It's a pretty hard read, but there's also some light relief in the column, with some surprising news on train timing.

SBP - Network Rail 'kitchen-sinks' future downsides

Ton-up trains proliferate

Whole industry P&L account updated.

Network Rail handed over its SBP for Control Period 7 (CP7) to the Office of Rail & Road (ORR) back in February, but the Department for Transport held up its release until 18 May. You can see why Government was twitchy ahead of the Local elections.

Its, endlessly repeated, message is that while, in real terms, DfT's Statement of Funds Available for CP7 (April 2024-March 2029) represents an increase of 5.9% over the current CP6, multiple factors mean that the money will not be enough. In particular, the increase in funding for the core Operations Maintenance Support & Renewals (OMSR) is only 2.5%.

According to Network Rail, where to spend the available funding has required some 'difficult choices and trade-offs'. Spending on assets, focused on safety and train service performance, has to be balanced against supporting revenue recovery.

For example, the focus on the main revenue-generating areas of the network also has to maintain an 'appropriate level of service' to areas where revenue is typically lower. The SBP observes that 'this is a more market-led and whole-industry approach to planning than the traditional asset condition focused approach'.

Even so, the policy is forecast to result in an overall fall in asset reliability, estimated to increase Service Affecting Failures (SAF) by 2%. Average asset age is expected to increase, reflected in a predicted 'small' deterioration in train performance, 'particularly in the later years of CP7'.

However, there are also encouraging signs of progress. Current meteorological forecasts predict a 5-10% increase in the number of days affected by bad weather in CP7. However the deployment of improved information, technologies and processes is expected to reduce weather-related delays by 10%: around £1bn is being spent on improving weather resilience.

Meanwhile, the ambition for the percentage range of passenger trains on time in CP7 (65.2%-67.5%) is marginally up (65.2-67.2%): freight train cancellations are unchanged.

Network Rail is assuming that passenger numbers continue to increase in CP7. Despite this, train service provision is expected to remain broadly flat at 88% of pre-Covid 19 levels. However some fluctuation is likely 'as operators and DfT vary their service offering'.

According to the SBP, rail freight is expected to continue to grow in CP7, with an overall figure of 7.5%. This is based on a combination of modelling and market input. It also takes into account known constraints on the network.

Of greater concern to the freight operators is a potential threat from ageing infrastructure. In terms of load-carrying, many bridges are classified as RA8 (22.8 tonnes axle load) but currently accept RA9 or RA10 axle loads (up to 25.4 tonnes) under exemption.

According to the SBP, as bridges currently carrying these higher loads 'age and deteriorate', investment will be needed for the exemption to apply. Otherwise they will have to revert to their nominal RA8 rating on safety grounds. This would reduce a wagon's capacity, potentially making many services 'unviable' according to the SBP.

Some of the forecast efficiencies in the SBP are dependent on industry reforms triggered by the creation of Great British Railways (GBR). These reforms will enable '30% of Network Rail's overall CP7 efficiencies'.

Savings from these efficiencies will also contribute to the £1.5bn a year cost savings claimed for GBR in the Williams-Shapps Plan. With GBR currently going nowhere, delaying its formation is likely to affect Network Rail's ability to deliver these efficiencies.

Talking of GBR, the latest news is that DfT has asked consultants to advise on how much of the Williams-Shapps Plan can be implemented without legislation. For a Department to need help understanding its own Railways Act shows just how far civil service competence has fallen.

Even worse, tucked away in the SBP is the news that the Network Rail Human Resources Transformation Team is 'supporting GBR Transition Team's work to define the role of the rail industry's 'guiding mind' set out in the Plan for Rail'.

Words rarely fail me, but if two years to the month after the Williams-Shapps Plan for Rail was published we are still trying to work out how its central concept is to be managed, then GBR really is in deep trouble.

Published before the failure of Nuneham Viaduct, the SBP also reports that 80% of Network Rail's metal bridges were built before 1900. Compared with the status in 2012 a further 15% of these are now in 'poor or very poor condition' with a 60% increase in the volumes of defects and failures. Measured degradation shows that more will move to poor condition over the course of CP7.

Production of this 'more affordable' plan for CP7 has included identifying opportunities to reduce renewals expenditure by extending asset life. Veteran readers will recall Railtrack's 'Project Destiny' which deemed signalling renewals unaffordable. Welcome to the '90s.

As already explained, the renewals budget will prioritise train performance in areas which will provide 'the most economic and passenger value'. However, and it's a great euphemism, this 'affordability-driven approach' to renewals expenditure is not cost-free. Direct maintenance expenditure will have to increase by £331m over CP7.

Beyond CP7, a phased increase in renewals will be required to 'maintain long-term asset condition, support improved weather resilience, manage safety risk and improve train performance'. Compared with spending in CP7 of £15.8bn, Network Rail estimates, the increased renewals expenditure at around £17.5bn in CP8 (2029-2034) and £19.8bn in CP9 (2034-2039). This would provide a stable asset base from CP9 onward.

Record 100 mile/h plus services.

In the latest Transport Focus list of rail passengers' requirements, punctuality and reliability top the list at 19%. Length of journey time registered only 6%.

So speed is off the agenda? Not according to my chum Jeremy Hartill, based on his latest researches into runs at 100 mile/h and above. Jeremy's analysis of the May 2023 timetable for the Railway Performance Society (RPS) has proved both counter-intuitive and heartening.

Having expected the post-Covid reduction in train mileage to be reflected in fewer trains run at 100mile/h and above, Mr Hartill found the reverse to be the case. The current timetable features the highest number of runs and the greatest mileage since he began his annual analysis in 2011.

Even more encouraging, while the number of services on HS1 and the East Coast Main Line (ECML) have maintained the status-quo, the WCML has rediscovered its mojo. When Avanti's eight new runs, totalling 1000 miles a day, are added to the other operators, the UK network now has a total of 494 services, covering 35,846 miles per day, for trains scheduled to average 100 mile/h or more start-to-stop.

Not surprisingly, South Eastern's 140 mile/h Hitachi Class 395s running on Britain's only high speed line top the table. But the start to stop average speed is only 2.5 mile/h faster than Avanti West Coast's 125 mile/h tilting Class 390 Pendolino over the 116 miles between Stafford and Watford.

With this timing, over the classic example of what apologists and critics call 'Victorian infrastructure', Avanti has pipped LNER, despite their classic East Coast 'racing ground' south of Grantham. Avanti now hold the Intercity Blue Ribbon by half a mile an hour!

Two services highlighted by Jeremy feature open access operators. Averaging 102.6 mile/h, Lumo's 20.27 off King's Cross provides the fastest ever service to Newcastle.

Informed Sources has already celebrated his other 'pick' in a recent TIN-Watch. While not the fastest on the route, Grand Central's 106 minute London-York timing for its Sunderland service makes the Class 180 the fastest diesel train in the world. But, rather like the United States' World Series baseball competition, only Britain has eligible trains!

My thanks to Jeremy for this welcome positive news, with thanks for permission to share these highlights. You can find his full list on the RPS website at
https://www.railperf.org.uk/index/100mph-scheduled-runs

New data for whole industry P&L

Last month's attempt to produce the 'whole industry Profit & Loss Account (P&L)', much touted by industry leaders as central to Great British Railways, was handicapped by the lag in reporting industry financials. I had the Network Rail Report & Accounts and the Office of Rail & Road's (ORR) analysis of industry costs for 2021-22, but reporting of revenue and Government support is lagging the ridership recovery.

However, after publication, a kindly Informed Source provided fares data for the last week in April this year. This equated to an annual fares income of £10.4billion. Putting this in the P&L reduces the loss (subsidy required) to around £9 billion.

For comparison, in the last year unaffected by Covid, (2018-19) income was £10.4 bn. But curb your enthusiasm, what about inflation? Well, according to ORR, at current prices that figure equates to £12.8bn. Thus we still have a £2bn plus revenue gap.

Meanwhile, according to Transport Secretary Mark Harper, the railways are currently 'unsustainable'. So having given Mr

Harper the P&L he wanted, in this month's column I provide a guide to financial sustainability, better expressed as 'Acceptable Levels of Subsidy', based on the assumption that subsidies before Covid were acceptable.

I have some analysis which shows that if we knock-off the current £2bn revenue gap then we are not far off the level of subsidy in 2018-19. That year DfT thought a £1.4bn increase in Network Rail's annual subsidy for CP6 affordable.

As I said last month, there is no way £2bn can be taken out of TOC costs, which means that the only way forward is to go for revenue growth. Instead of complaining that the current level of subsidy is 'Unsustainable', the Transport Secretary should set a target figure for a 'whole-industry' sustainable railway, to be achieved through a combination of revenue growth and cost savings by the end of CP7. Then free the railway to get on with it.

But, as I add in the column, of course that won't happen.

Roger's blog

Network Rail has done a great job in reporting progress with the restoration of Nuneham Viaduct. I've a write-up on what has been happening on-site in the News Section of the new magazine. This is based on an on-line briefing for the railway press with Stuart Calvert, the engineer in charge.

As with the Dawlish sea front, when faced with a crisis the 'Orange Army' is in its element and things happen quickly. Piles get driven, access roads for giant cranes get built and the steel bits which will support the bridge span on the new piled abutment, get fabricated, galvanised and delivered to site in three days. And it re-opened a day early.

'Are you having fun', I asked Stuart? 'It's very rewarding' was his judicious reply. But it's good to have some serious engineering work to write about. And referring back to the note about steel bridges in the SBP, the steel spans at Nuneham dating from 1908 are in good condition.

The reason why the Nuneham briefing was so welcome was because as you can imagine, analysing 171 pages of the SBP took lot of time and spread-sheeting. The SBP should have been published in February and the bad news is that delaying its release to May means that by the time you read this the Office of Rail & Road will have published its response in the form of the Draft Determination.

This means that for the second month running I will be up to my ears in 'billions' and 'efficiencies'. And for readers, the August Modern Railways, traditionally our Summer holidays edition, will have yet more heavy reading in Informed Sources.

Meanwhile, July is starting to look interesting with another Round-Table briefing with the GBR Transition Team. No shortage of questions to ask.

Roger