



Railways Act 2005 Statement

High Level Output Specification

Introduction

- 1 This Railways Act 2005 Statement fulfils the requirements of UK legislation by setting out for the Office of Rail and Road (ORR) the information about what the Secretary of State wants to be achieved by railway activities during the review period covering 1 April 2019 to 31 March 2024 (the High Level Output Specification or HLOS).
- 2 It also provides an initial Statement of Funds Available (SoFA), which will be subject to finalisation by 13 October 2017, following the further work described below.
- 3 The Statement should be read in conjunction with the Secretary of State's revised statutory guidance to the ORR setting out the key principles that the Secretary of State wants to see shape the ORR's regulatory approach to the rail industry.
- 4 A critical underpinning for this statement is the need for the rail industry, and Network Rail specifically, to make significant progress in improving the efficiency of its activities. This should result in a marked improvement in Network Rail's productivity and real terms year on year efficiencies. In particular, the Secretary of State expects an ambitious implementation of route devolution to ensure competitive tension and improved understanding of costs through better benchmarking.

Infrastructure enhancement

- 5 The emphasis in this Statement is on the changes achievable through the operations, maintenance and renewal of the existing railway over the coming five

year Control Period. The Statement does not commit to infrastructure enhancements. These are expected to be dealt with separately. The Government wishes the rail industry to continue to improve the accessibility of the rail network so that it is open to all passengers and notes the success of the Access for All programme in previous Control Periods.

Operations, Maintenance and Renewal

- 6 The Secretary of State accepts the advice provided to him by the ORR on the need for increased volumes of renewals compared to CP5, to improve on the outcomes delivered in the context of rising demand and better meet user priorities. However, in the context of overall public spending he is concerned about the affordability of the initial cost estimates, which do not contain an allowance for efficiencies, particularly of operations and maintenance. He is therefore initiating work to provide further assurance on the costs of these activities to provide confidence in setting the level of public funding available to the railway in order to confirm a final SoFA.

Safety

- 7 The Secretary of State considers the continued safe operation of the railway to be vital. He recognises the good standard of safety achieved by the control of risk across the rail industry and seeks for this to continue. He expects the industry to continue to focus on addressing the priority areas identified by the ORR and the safety learning identified by the Rail Accident Investigation Branch. He expects that the industry will have due regard to all national security threats, including terrorism, natural disasters, physical and cyber security and will take steps through design and operation to counter these. He is not specifying any particular safety initiatives and would expect risk control to be attained through existing processes and funding. Safety is not a devolved matter and this standard applies across the whole of the railway in Great Britain.

Performance and reliability

- 8 The Secretary of State expects Network Rail, working closely with train operators, to maintain focus on the delivery of performance for Control Period 6 (CP6), which, as Transport Focus has emphasised, is of paramount importance to users. The Secretary of State also expects Network Rail to continue to work to manage the resilience of the network to severe weather, taking account of the impacts of climate change, and to other potential threats.
- 9 The Secretary of State does not propose to set national top-down performance targets. He believes that the best way to deliver performance will be for Network Rail, through its devolved Route structures, to work closely with train operators and representatives of the end users of the railway to determine appropriate metrics and stretching yet realistic target levels for each part of the network. These should also align where appropriate with the performance objectives set by funders for rail franchises and concessions. In turn, delivery plans reflecting these metrics and targets should be set out in the joint industry Performance

Strategies, underpinned by the scorecards used by Network Rail to monitor and incentivise delivery.

- 10 He wishes the ORR to develop and implement regulatory Route-level performance targets reflecting this approach. In addition, it is important that ORR is able to benchmark Network Rail's ability to deliver key performance outputs on a consistent basis across the Routes. The Secretary of State also sees it as critical that as further devolution of Network Rail progresses, there is continued focus on delivery for national operators and the need for performance to be set within a coherent strategic framework.

Demand and capacity

- 11 The Secretary of State expects any investment in the railway to have regard to the passenger demand forecasts at Annex A and opportunities for growth of the rail freight sector, in particular new markets, as set out in the Government's Rail Freight Strategy. The passenger demand forecasts have been produced using the Department's Network Modelling Framework and the standard rail industry demand forecasting approach.

Initial Statement of Funds Available

The funding that the Government intends to provide to the rail industry is directed either to support franchised passenger service operators or as a direct grant to Network Rail. The Secretary of State anticipates that this arrangement will continue, though recognises that it is for the ORR to confirm this as part of the Periodic Review process. The Government does not intend for Network Rail to obtain any further loan during CP6 from either Government or other sources. Government has noted the obligations Network Rail has to its bondholders during the Control Period and will ensure that adequate funding is provided to meet these obligations, out-with a SoFA.

The Government has noted the bases and costs for maintenance and renewals activity volumes as set out in the ORR's Advice to Ministers. The Government fully recognises the need for a significantly increased volume of renewals and expects considerable progress in improving the efficiency of renewals for CP6. The Government wishes to further assure itself that the volumes and costs of operations and maintenance activity are reasonable and affordable in order to fulfil its statutory role to set a SoFA. Once this assurance has taken place, Government will confirm the SoFA in October 2017. The Secretary of State wants Network Rail to increase its efficiency and delivery capability across its portfolio of work during the Control Period and expects a strong and robust challenge from the ORR to reflect this.

Subject to the satisfactory conclusion of this work, the Government believes that it is likely to have funds available to meet reasonable requirements subject to reasonable efficiency savings and deliverability. A further announcement of a final SoFA will be made following the completion of this work, no later than 13 October 2017.

A number of other non-rail specific sources of public funding exist, and the railway industry may wish to apply for these in order to support its Control Period 6 activities. The industry should also seek to maximise possible third party funding contributions, including from land use planning, where it is consistent with the Government's National Planning Policy Framework.

Annex A - Demand and capacity

The numbers of arriving passengers forecast on services into Birmingham, Leeds, Manchester and other urban areas by the end of CP6, on a weekday morning in the three hour peak and in the high-peak hour, are shown in Table 1.

Table 1: Number of passengers to be accommodated into major cities

Table 1	AM high peak		AM three hour peak	
City	Forecast demand in 2018/19	Forecast demand in 2023/24	Forecast demand in 2018/19	Forecast demand in 2023/24
Birmingham	21,800	22,300	48,300	49,400
Leeds	15,000	15,200	31,800	32,700
Manchester	16,200	16,500	35,900	36,700
Other major cities	17,400	18,000	39,300	40,800

City station definitions

- Birmingham stations are: New Street, Snow Hill and Moor Street
- Manchester stations are: Oxford Road, Piccadilly and Victoria
- Leeds is the single station
- Other urban areas are Bristol, Leicester, Liverpool (excluding Merseyrail), Newcastle, Nottingham and Sheffield, because these cities are current significant users of rail for commuting.

For definitions of peak periods see notes below.

The numbers of arriving passengers forecast on services into the main London termini by the end of CP6, on a weekday morning in three hour peak and in the high-peak hour, are shown in Table 2 below.

Table 2: Number of arriving passengers to be accommodated into London termini

Table 2	AM high peak		AM three hour peak	
London terminus	Forecast demand in 2018/19	Forecast demand in 2023/24	Forecast demand in 2018/19	Forecast demand in 2023/24
Blackfriars	17,700	18,200	34,700	35,800
Euston	14,000	14,600	31,400	32,700
Fenchurch St	13,700	13,600	26,500	26,500
Kings Cross	5,700	7,300	10,800	13,800
Liverpool St (Crossrail)	16,500	16,500	33,000	33,000
Liverpool St (Other)	27,700	32,200	53,300	64,900
London Bridge (Sussex Routes)	33,500	34,300	66,600	68,400
London Bridge (Kent Routes)	43,200	44,900	86,900	90,500
Marylebone	7,800	8,100	15,500	16,600
Paddington (Crossrail)	11,800	11,800	23,600	23,600
Paddington (Other)	12,100	12,500	27,400	28,300
St Pancras (Terminus)	6,400	6,500	12,900	13,600
St Pancras (Through services)	20,900	21,500	44,900	46,100
Victoria (Southern)	18,400	19,200	38,500	40,100
Victoria (Southeastern)	8,400	8,800	18,600	19,500
Waterloo	57,600	59,600	119,100	123,500
Moorgate	6,300	6,600	11,900	12,500
Total	321,700	336,200	655,600	689,400

London stations definitions

- St Pancras values include Thameslink, East Midlands, the domestic HS1 services but exclude international services.
- London Bridge values cover services terminating there and services continuing to Cannon Street, Charing Cross and Blackfriars.
- Blackfriars values include through and terminating services.
- Marylebone values for 2023/24 includes demand from the proposed East West Rail services.
- Values exclude Heathrow Express, Grand Central services and Hull Trains.

Forecasts

- All figures relate to franchised passenger services.
- The forecasts of demand are the Department's best assessment using available models and based on available information and plausible assumptions.
- The Department is at risk for the forecast at the start of CP6 and any variance in the forecasts between the start and end of CP6.
- Should better evidence of forecast demand at the start of CP6 become available during the periodic review and subsequently, the values will be adjusted accordingly.
- The figures for Crossrail demand come from the TfL Crossrail Demand Model. Demand into Paddington includes all demand on Crossrail services when the full service commences in late 2019.
- The figures for the Paddington and Liverpool Street terminating demand come from the DfT Network Modelling Framework.

Peak three hours and high-peak hour

- The peak three hours covers all services timetabled to arrive in the morning between 0700 and 0959.
- The high peak hour covers all services timetabled to arrive in the morning between 0800 and 0859.
- Where two or more stations are included, e.g. Birmingham Snow Hill and Moor Street, the first station called at determines whether the train falls within the peak.

Evening peak

- Only the morning peak is set out in this Annex. The evening peak is typically lower in demand. The train capacity provided for the morning peak is expected to be used for the evening peak with the level of crowding maintained or bettered for passenger comfort.