

THIRD PARTY FUNDING IS WORKING

IAN BAXTER, Strategy Director at SLC Rail, cheers enterprising local authorities and other third parties making things happen on Britain's complex railway

On 20 January 1961, John F. Kennedy used his inaugural speech as US President to encourage a change in the way of thinking of the citizens he was to serve. 'Ask not what your country can do for you,' intoned JFK, 'but what you can do for your country.'

Such a radical suggestion neatly sums up the similar change of approach represented collectively by the Department for Transport's March 2018 'Rail Network Enhancements Pipeline' (RNEP) process, Network Rail's 'Open for Business' initiative and the ongoing progress of devolution of railway planning and investment to the Scottish and Welsh governments, combined authorities and sub-national transport boards made up of multiple local authorities and Local Enterprise Partnerships (LEPs). There are new thought processes at work for the rail industry and its stakeholders: increasing numbers of 'third party' schemes are

being delivered as central government seeks more external investment in the railway.

DEVOLUTION

So, the theme today is: 'Ask not what the railway can do for you but what you can do for the railway!'

Central government will sponsor, develop, fund and deliver strategic railway projects required for UK plc, such as High Speed 2, electrification, long-distance rolling stock replacement or regeneration at major stations like London Bridge, Reading or Birmingham New Street. But planning and delivering new railway services and facilities at regional and local level will increasingly be the responsibility of third parties, local politicians, business leaders and developers who best know and understand their economies, communities and wider development plans for new housing and employment. It will

be up to them to lead change, work out how to deliver it and lever in external investment into the railway. It is no longer safe to assume that central government, Network Rail or the train operators will do this for them.

However, it hardly needs to be said, least of all to those newly empowered local railway promoters themselves, enthusiastic or sceptical, that the railway is a complex entity. That applies not only in its geographical reach, scale and infrastructure, but also in its regularly reviewed post-privatisation organisation, often competing or contradictory objectives, multiple stakeholders, and what may seem inward-looking and labyrinthine rules and regulations.

It's also dramatically and unpredictably expensive. Why would local authority leaders responsible for the safeguarding of vulnerable children, social care of an increasingly elderly population, homelessness or education spend their time and risk their fragile



Third party pioneer: the second platform at Princes Risborough. Unit No 168113 passes the restored down platform with a train for Birmingham Moor Street on 13 August 2017. Alan Wallwork

budgets on railway schemes they may have hitherto reasonably expected the rail industry itself not only to make happen, but to want to do for its own sake?

**THE THREE 'E's':
ECONOMICS, EVIDENCE, EASIER**

There are three answers to that challenge.

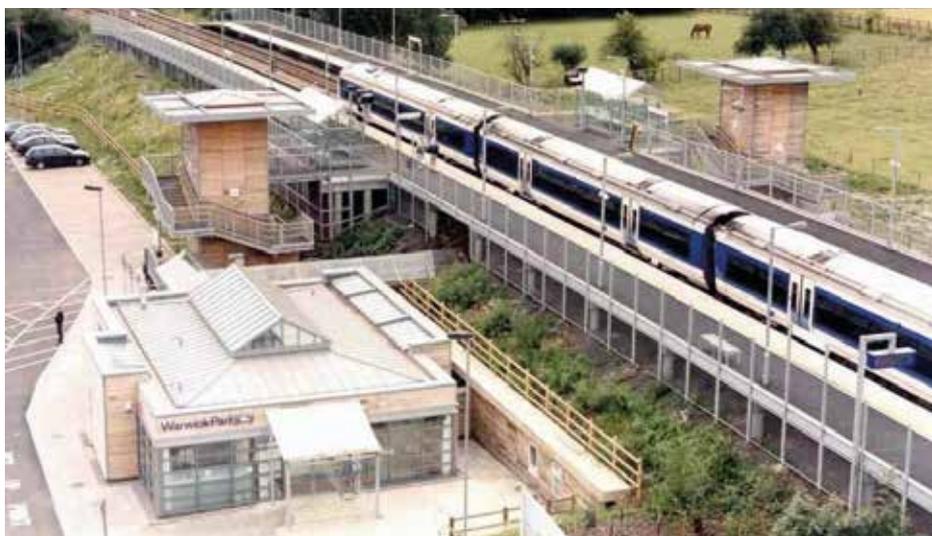
Firstly, the old perception of the railway as a subsidised burden on the country's finances has been replaced with a much clearer understanding of its direct contribution to growth in the economy, jobs and population, and to sustainability of communities and the environment. Network Rail's Market Studies of 2013 and 2014 marked this change, defining the long-term connectivity required of rail services to facilitate and indeed drive economic growth over a 30-year period, well beyond the more project delivery-focused five-year industry Control Periods. Track, signalling, trains and stations became the means, not the end.

Secondly, local authority politicians, officers and their business colleagues in Local Enterprise Partnerships noticed this change. They quickly took advantage, with many commissioning rail investment strategies prioritised by metrics such as Gross Value Added (GVA) to the economy and new jobs. These transformed the reach of their aspirations from lists of schemes to be lobbied for to new rail service connectivity and new and better stations which they could get on and do themselves.

Thirdly, central government became increasingly aware that if third parties were to be encouraged to invest in the railway and deliver their own schemes, doing so had to be made radically easier. Professor Peter Hansford's 2017 report, commissioned by Network Rail, looked at the case



New station: Worcestershire Parkway approaching completion in October 2019. The North Cotswold line platform is at the foot of the picture, with the Paddington direction to the right. The Bristol to Birmingham line platforms run left to right. Courtesy Worcestershire County Council



First new station post-privatisation: Warwick Parkway on opening in 2000. Courtesy Chiltern Railways

for a level playing field between third parties and the rail industry in making schemes happen. This was a welcome move for many local authorities or developers who felt they were required to jump higher hurdles than those in the industry to progress their schemes, or were subject to expensive, unaffordable 'gold-plating' and lengthy programmes defined and driven by an industry lukewarm at best in responding to their ambitions.

In early 2018 the Department for Transport published its new Rail Network Enhancements Pipeline (RNEP) process, setting out a simplified five-stage scheme development process actively designed to facilitate easier, swifter delivery, whether by third parties or the industry itself, and, crucially, to do so via project boards in which funding promoters had much greater levels of control than under Network Rail's eight-stage Governance for Railway Investment Projects (GRIP) process.

In summer 2018 Network Rail responded both to Hansford and RNEP with its 'Open for Business' initiative, under three straplines:

- 'Easier to invest';
- 'Easier to work with'; and
- 'Easier to get involved'!

In sum, central government had put together a positive framework within which third parties could confidently engage with the railway with

jointly understood objectives to continuously enhance the industry's contribution to the economy, communities and the environment.

CHILTERN MODEL

While RNEP and Open for Business set a positive template for the future, they are not a revolutionary change. Third party promoted and funded schemes have in fact been a feature of entrepreneurial private and public sector investment in the privatised railway from its early days. They started within innovative franchise models such as that at Chiltern Railways, and evolved, albeit slowly, as local authorities developed their own appetite to deliver change themselves.

As early as 1998, under the leadership of Adrian Shooter, Chiltern confirmed there was nothing in the privatisation legislation of the Railways Act 1993 that either required enhancements to be undertaken by the then-infrastructure owner, Railtrack plc, or precluded their delivery by third parties. Chiltern's first two schemes were the restoration of a second platform and footbridge at Princes Risborough, more cheaply and swiftly than was possible for Railtrack, and the Evergreen 1 re-doubling between Princes Risborough and Bicester North, both facilitating more frequent train services and better performance.



Regeneration project: Coventry City Council's third party project for Coventry station looking towards London Euston. The project adds major new capacity to the iconic Grade II listed 1960 station. Courtesy Coventry City Council

The third party model was established, with Chiltern:

- specifying a project against its strategic train service development plans;
- procuring and delivering the works;
- obtaining the funding;
- directly controlling costs; and
- holding the risk in what was, in effect, a mortgage against future passenger revenue agreed with the Department for Transport both within and beyond the franchise length.

The first new station post-privatisation was opened under this system at Warwick Parkway in 2000: this was owned by Chiltern's parent company rather than Railtrack/Network Rail and delivered at less than half of Railtrack's proposed cost. Following on from this, Birmingham Moor Street and London Marylebone expansions,

Evergreen 2 (Bicester North-Aynho Junction redoubling), Evergreen 3.1 (upgrading of the full route to allow faster West Midlands-London services) and Evergreen 3.2 (Marylebone to Oxford) were completed between 2001 and 2016. In all, Chiltern evolved the third party model to deliver £800 million of third party investment in the railway, setting what was and is a radical template that RNEP and Open for Business can draw upon.

EMPOWERED LOCAL AUTHORITIES

The beauty of the third party model developed by Chiltern was that its utility was not confined to train operators. Its reach has extended from that first 1998 Princes Risborough project, with its flexible form enabling bespoke application to multiple public and private sector promoters' subsequent and contemporary schemes.

Enlightened local authorities such as Warwickshire County Council, a supportive partner in the Warwick Parkway project, saw its potential elsewhere, developing, assembling funding and delivering Coleshill Parkway on the Birmingham-Nuneaton-Leicester route in 2007 in partnership with Laing Rail, part of John Laing plc and the then-parent company of Chiltern (and out of which the SLC Rail team evolved). Laing held ownership of the station, as it later did with Aylesbury Vale Parkway, opened in 2008 via a Chiltern-Laing-Buckinghamshire County Council partnership, as powerfully driven by the mortgage principle to see passenger volumes grow as any train operator.

Cementing an impressive track record for a shire county of five new stations in 17 years, Warwickshire went on to deliver new stations at Stratford-upon-Avon Parkway in 2011, Bermuda Park (east of Nuneaton) in 2016 and Kenilworth in 2018, the last including a wholly new train service between Leamington Spa and Coventry. Ownership passed to Network Rail in these cases, with the third party funding and delivery model proving its applicability to differing circumstances and imperatives, including incorporation of a successful 2013 New Stations Fund bid at Kenilworth where Department for Transport funds formed a contributory part of the overall funding package.

THIRD PARTY DELIVERY IN 2019

Warwickshire's experience was not lost on other local authorities, particularly its neighbours in the West Midlands.

In 2016 Coventry City Council delivered Coventry Arena station on a third party basis in parallel with Warwickshire's Bermuda Park, as part of their joint upgrade of the Coventry

New station, old signal: GWR's No 802016 heads past the bi-directional North Cotswold line platform at Worcestershire Parkway with a Worcester-bound service on 29 October 2019 in advance of the station's opening. The approach to Norton Junction signal box, less than a mile away, is controlled by a GWR/BR(W) pattern lower quadrant signal. Steve Widdowson



to Nuneaton route with Centro (now the West Midlands Combined Authority). In 2019 the Council is implementing its ambitious masterplan for Coventry station, with an additional platform, a second station entrance building, further footbridge and a new car park, delivering new services and passenger capacity driven by the major economic benefits that will come from prospective enhanced regional connectivity to the East Midlands and north-east England, as well as supporting Coventry as UK City of Culture in 2021.

At Worcestershire the county council worked jointly with Centro/West Midlands Combined Authority to build a relocated and much-expanded Bromsgrove station in 2016 in preparation for electrification and integration into the Cross City line to Birmingham and Lichfield in 2018. Expanding the third party model, both authorities not only jointly own the station, but are the operational 'station facility owner', driving their own customer service standards through a contract for day-to-day operation by the West Midlands franchise.

As this issue of *Modern Railways* goes to press the county is completing Worcestershire Parkway interchange, where the Hereford-Worcester-Paddington North Cotswold line crosses the Bristol to Birmingham main line. This has been funded via a combination of capital contribution from Worcestershire Local Enterprise Partnership and a share of 'new to rail' passenger revenue underpinning the council's funding, effectively delivering the station at no cost to the local council taxpayer. To be operated by Great Western Railway (GWR), the new station will support much wider public access to the National Rail network by adding 30% more car park volume to the county's whole current rail station capacity. There will



Greenfield to green station in six years: CrossCountry's No 170101 passes the future site of Worcestershire Parkway's Birmingham-bound platform on 25 May 2013 with a Cardiff to Nottingham service (top) and No 170102 (above) on the same service on 29 October 2019 as the pre-opening finishing touches are put to the station. The North Cotswold line between Worcester and Paddington crosses from right to left on the overbridge. Steve Widdowson

be station calls in the CrossCountry network (which last regularly served Worcestershire in the 1970s) and the station will maximise the benefits for passenger volume growth of GWR's new Class 800 Intercity Express trains.

party-led transformation of service frequency and journey times on the route. It is researching the infrastructure upgrades that will make these happen and looking into earlier delivery than may have been possible for the rail industry acting on its own.

TO COME

The scope and breadth of third party schemes is set to grow in the next decade.

- West Midlands Combined Authority is developing:
- three new stations on the proposed Kings Norton-Moseley-Birmingham Moor Street route;
 - two stations between Wolverhampton and Walsall;
 - Perry Barr station in advance of the 2022 Commonwealth Games; and
 - a much-expanded University station.

Northumberland County Council is looking to deliver the much-requested new passenger service on the current freight route between Newcastle and Ashington.

Encouraged by the example of the Evergreen projects on the neighbouring Chiltern route, the North Cotswold Line Task Force (made up of 10 local authorities and Local Enterprise Partnerships between Hereford, Worcester and Oxford), is developing its case for a third

FROM WARWICK PARKWAY TO WORCESTERSHIRE PARKWAY

Given this developed experience, expertise and local authority confidence in third party delivery and funding over two decades, the Department for Transport's Rail Network Enhancements Pipeline and Network Rail's Open for Business initiatives have arrived at the right time. Together, they should further encourage devolved, locally-led initiatives injecting external ideas and investment to develop the railway's role in sustainable economic growth.

In delivering schemes and rail-supported economic and environmental benefits that would otherwise not be happening, it is clear that third parties are hearing and loudly echoing the Kennedy clarion-call. 

Ian Baxter has worked with Birmingham-based SLC Rail since 2012, supporting local authorities with rail investment strategies and innovative delivery of third party new station and regeneration schemes. He was a Director of Chiltern Railways and a Senior Commercial Scheme Sponsor at Network Rail Western.