
Network Rail Matrix Organisation Adopted

The devolved structure adopted by Network Rail as part of the Strategic Business Plan has retained a centralised System Operator function that will support the nine routes, eight of these are geographic with one providing national coverage to reflect the needs of the freight and open access operators and two cross-boundary franchises, Cross Country & Caledonian Sleeper.

The routes will have individual regulated budgets as part of the Government's £48 billion Statement of Funds Available (SoFA) for Control Period 6 (CP6) between 2019 and 2024. The overall funding significantly exceeds the £38 billion (£41 billion at current value) allowed in CP5 as it is recognised that these funds were insufficient to meet the outputs NR was expected to deliver even before the revised cost of electrification projects emerged.

The new regulatory settlement will adopt more realistic efficiency benchmarks and avoid the comparison with railways elsewhere that lack the intensity of operations, restricted access to undertake engineering work and asset condition that reflects long periods of past make do and mend. Nevertheless, the cost of providing the network continues to decline from 82p per passenger kilometre in 2004 to an expected 27p in 2024.

NR decided not to challenge the CP5 determination made by the then Office of Rail Regulation believing that if more money was required it could be funded from the private sector under mechanisms then available. The situation changed when NR borrowing was judged to be a Government liability and the authority to raise external funds was withdrawn.

The situation was reviewed by the current NR Chairman Sir Peter Hendy in a recent address where he revealed that he thought the decision should have been challenged. He emphasised that for CP6 it was essential that funding was appropriate to enable specified activities to be delivered.

The *Network Rail matrix organisation* is designed with a focus on the devolved routes with support from the System Operator function which is responsible for corporate strategy, timetabling and capacity planning.

New organisational structures bring new job requirements that can require input from experienced professionals and FCP has a long history of providing skills to deliver transition support where this is needed.

The NR Strategic Business Plan for CP6 reflects different priorities from previous judgements as there is recognition that keeping the existing railway in good condition must have precedence over major projects where the benefit: cost ratio has not always been delivered.

The £48 billion allowed provides an equal £18.5 billion for operations, and the need for maintenance and renewals with a balance of some £10 billion for enhancement projects. This reflects a catch-up on arrears of work that has seen an emergency injection of funds to counter asset deterioration with a performance impact as seen with £300 million additional money for

Southern routes.

There will still be new railway with the flagship East – West link between Oxford and Bedford, and a later extension to Cambridge continuing to receive support but the route will no longer be described as part of an electric spine to link Southampton with the West Coast Main Line and will not be wired. There is no commitment to extend electrification beyond the current boundaries on the Midland Main Line at Corby, or Great Western route beyond Cardiff (to serve Swansea) or Chippenham (to serve Bristol).

