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By email to [geoff.jones@highspeed1.co.uk](mailto:geoff.jones@highspeed1.co.uk)

Dear Geoff,

**Re: HS1 Limited Five Year Asset Management Statement**

Thank you for the opportunity to respond to the HS1 Limited 5 Year Asset Management Statement consultation. No part of this response is confidential and it may be published in full.

Firstly we would like to formally record our praise for the open and engaged way in which the Periodic Review process has been conducted.

As a result of this transparent way of preparing the 5YAMS, our key areas of interest will come as no surprise to you. We hope that you will consider them and make the changes required to ultimately deliver benefit to our end customers and an improvement in the sustainability of the rail industry.

We welcome the overall reduction in Operations Maintenance and Renewal Charges (OMRC) and the agreement that costs will increase only by RPI (rather the RPI+ as in CP1).

It is our view that HS1 should take the lead in remedying some of the legacies from the project to build the railway, which would lead to more efficient industry cost and better customer service. The two key issues relevant to Southeastern are the reduction of traction energy use (including enabling regen, see below) and an improved design of the possession limits at Ashford Chord so that access to HS1 can be maintained during NRIL possessions at Ashford.

We fully support HS1's commitment to reduce transmission losses but want to see that every option is considered including adding in more substations to shorten distances between power supply and usage points as well as those that HS1 have outlined in the consultation document.

Our response to Q19 below sets out the detail of our priorities in reviewing the 5YAMS which are performance & safety; costs & sustainability; delivery and transparency.

We will answer your questions in the order that you raise them:

**Q1 Are there any gaps in how we have addressed the Concession Agreement requirements for the 5YAMS? If yes, please explain?**

We understand that the Concession Agreement obligates HS1 to secure the efficient and economic operation of the railway in line with best practice. In view of these requirements and the obligation to manage with a long term perspective, we believe that HS1 have a duty

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to reduce transmission losses to the lowest level possible whilst maintaining a high performing, safe railway.

**Q2 Do you believe that the NR(HS) asset management plan assumptions are appropriate? Are there any additional assumptions required that we have not captured in this section?**

We do not have the expertise to review the asset management plans but we do believe that the high level principles are appropriate. We rely on ORR to check the detailed plans and that the asset specific policies are fit for purpose, economically balanced and consistent with a high performing, safe railway.

**Q3 Can you please confirm that we have properly captured the output requirements for customers?**

We can confirm that our output requirement ratings were properly captured and we believe that there has been value in having this exercise as part of the Periodic Review process. We agree that this is a helpful supplement to our ongoing dialogue.

We feel strongly that operators should have the opportunity to regularly review and update the input tables over the next five years in line with business change and growing end customer expectations.

HS1 must monitor and measure delivery of the initiatives that have been committed to in the 5YAMS. However, it is also important to note that the HS1 initiatives are not the only outputs that we and our customers require and in many cases they are in addition to our basic requirements for a high performing, safe railway.

Thank you for including the stations feedback as part of the same document, even though it will be dealt with as a separate part of the Periodic Review process. As we have discussed, many of our lower scores are reflections on the stations rather than the route.

**Q4 Do you have any comments on the appropriateness of our policy and approach in CP2?**

On Safety: Southeastern welcome the indication that HS1 will work more closely with us and hope that the commitment to joint review of poor safety behaviours will include sharing reports and investigations.

We would like to see both input-based (leading) indicators as well as output based (lagging) indicators. An increase in the former puts greater emphasis on managing risk, quality and providing quality assurance processes.

On Asset Management: see our response to question 2.

We think it is also important that throughout CP2 there is a shared Delivery plan, discussions about delivery priorities and regular reporting against the delivery plan.

**Q5 What other factors should we consider in developing our asset management plans?**

For Southeastern the key items are to maintain performance and access to the railway. We also believe that it is important that HS1 is constantly at the forefront of new technology in order that it continues to meet its goal to be the world's leading high speed railway. This requires innovation between as well as during periodic reviews.

**Q6 Are there any other upgrades that we should be considering for CP2?**

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In our view the five schemes listed under 'Upgrades' are not upgrades nor Specified Upgrades.

The first two (Acoustic Monitoring and Panchex) are schemes to deliver better information and keep HS1 asset management team at the frontiers of technology and efficiency. There may be a benefit to the operators too but the information is vital to HS1's core work. We believe this should be funded through the OMRC.

It is our understanding that since the publication of the 5YAMS a commercial deal has been agreed to provide wifi, firstly data and then voice, to the route which will be available to passengers free of charge. As a result, there is no longer an upgrade. We are really pleased that HS1 have managed to secure such a deal which will have a positive impact on customer satisfaction.

As we have said during the consultation process, Southeastern want to buy a product with the minimum transmission losses possible. Our expectations are no lower here than they are for the rest of the high quality service we get from HS1. We don't think that the adaptation of the power supply network to enable regen and to reduce transmission losses is an upgrade. We think that this is a base requirement that the 5YAMS should be providing.

We know that your view is different and we hope that we can work together for the remainder of this Periodic Review process to find a way forward. We support your proposals to have a cross-industry Steering Group on this issue and are happy to commit to taking part in this group.

There are no other upgrades currently on our radar for the term of CP2.

**Q7 Do you have any comments on the appropriateness of NR(HS)'s CP2 cost plans?**

In total we welcome the reduction in price in the NR(HS) cost plans. It is difficult for us to judge why the management fee is at the high end of the benchmarking and the risk is priced separately in the NR(HS) contract.

**Q8 Please comment on the benchmarking work performed – and its application in the CP2 plans and usefulness driving efficiency from CP3 onwards?**

We are pleased that the benchmarking work has started in this Periodic Review. In our view this should be a continuous process offering ongoing comparisons and allowing us to avoid, as much as possible, the discontinuity that the Periodic Review process can introduce. The benchmarking should extend to total industry costs, including assets like traction supply equipment where the operations, maintenance and renewal output affects the operators bills for traction energy.

**Q9 Do you have any comments on the appropriateness of HS1's CP2 cost plans?**

We note the cost plans and have no detailed comment at this stage except for what is contained in our other responses.

**Q10 Do you have any comments on the appropriateness of pass through costs in CP2? Have we properly captured the options to reduce pass through costs in the remainder of CP1 and CP2? Would you consider a rates review in within the next 12 months?**

See also our response to Q12.

We think that the categories of pass-through costs continue to be right.

The pass through costs introduce uncertainty into TOC financial planning, which is especially

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concerning in those areas that we are unfamiliar with such as the UKPN asset-related costs. To reduce this uncertainty and help our financial planning up to and during CP2 please be transparent and share the emerging forecasts for pass through costs.

We would need more information to reach a conclusion about whether to carry out a rates review or not.

**Q11 Please provide comments on the robustness of our freight cost forecasts. Are there any factors that we have not considered?**

We have no comments on this question.

**Q12 Do you support the work that we are doing on reducing traction and non-traction power costs? Are there any opportunities which you believe we should be considering?**

In addition to continuing to work with us on the procurement of traction energy we fully support all commitments to reduce energy use and increase efficiency of the traction energy supply systems.

We were disappointed that the Periodic Review benchmarking did not include benchmarking of these industry costs. However, we are pleased that there is a programme to do this starting immediately. We do not believe that anything should be out of scope of the programme, as we have said in our introduction and are fully committed to working with you on issues like on regen braking and reducing our energy use and carbon footprint.

**Q13 Does our CP2 renewals annuity proposal of £16.5m p. a. correctly balance affordability with meeting long term asset renewal obligations?**

See our response to Q4

**Q14 Do you agree with the assumptions/cost allocation in the financial model used to generate track access charges? If not, please provide an explanation.**

We do support the majority of the assumptions within the financial model.

We have not yet reviewed or approved a Network Change to introduce GSM-R onto HS1 yet we note that an estimate of the GSM-R opex costs is included within the cost model. Any overspend from this estimate must be at HS1's risk and any saving must be shared with affected operators.

As a result of our further review during this consultation, we have some observations about the assumed numbers of trains in the financial model, which we will raise separately and confidentially with you as part of this process.

The model was well presented and interpreted and we are grateful for the excellent level of transparency around it too.

It is important that the financial model is be adjusted if a new operator starts on HS1, or according to the re-opener provisions, to ensure that HS1 do not over-recover.

**Q15 Do you believe that an alternative to the CP1 freight supplement is required to support the continuation of freight traffic in CP2? If so, what is the right mechanism for this support?**

We have no comments on this question.

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**Q16 Do you agree with our proposal for each regulatory framework item?**

Reopener – certainty is important to TOC businesses and so we also have no appetite to change the reopener provisions at all.

Wash up provisions – we have no objection to the proposal to move to quarterly wash-ups.

Pass through costs – see above.

Possessions - We would struggle to comment on the possessions regime as we are not affected by it and would expect this to carry on with a CP2 that continues to deliver a 7 day railway.

Performance – we agree with the proposal that the current rates remain until the reopener provisions result in another recalibration. It is important that the regime provides real incentives for all parties to act in a way which delivers excellent performance. In our view HS1 should take the risk of any start up of a new operator.

Outperformance – we have commented during the Periodic Review process on the outperformance mechanism and our view remains the same.

**Q17 Do you believe we have properly identified the key risks?**

We note the key risks. We believe that the actions to mitigate could be improved. For example, signalling mitigations could be to work more closely with the supply chain and neighbouring infrastructure owners including to look at obsolescence issues before they are due to happen. Similarly, the E&P risk mitigation strategy must be addressed urgently and there may be a benefit by closer working with Network Rail.

We are fully committed to working with you on possessions strategy. For example, we may be prepared to have longer single line working at the beginning of the week if there were the ability to have later services at the end of the week in line with customer demand.

**Q18 Overall do you believe that this 5YAMS plan when delivered is the right balance of affordability and asset stewardship and that it will support a safe, reliable and great customer experience railway?**

See all other responses.

**Q19 What are the three most important issues for you within these plans?**

1. Performance and Safety
2. Cost and Sustainability
3. Delivery and Transparency

Thank you for including the headlines of the station review in this documentation. We would have found a benefit if the two reviews had been able to happen together or in parallel... However, we look forward to working with you on the stations review and in finalising this review in the same spirit of openness and cooperation.

Yours Sincerely,

Richard Dean  
Director - Train Services

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