

Network Rail's Output Framework for 2014-19

Response from Rail Freight Group

September 2012

1. Rail Freight Group (RFG) is pleased to respond to the ORR's consultation on Network Rail's output framework for control period 5.
2. RFG recognises that the setting of Network Rail's output framework is critical to delivering the outcomes necessary for freight customers and operators, and also in focussing management attention on those areas necessary to deliver the long term outcomes for the railway. The right framework is also necessary to support those measures particular to freight which might otherwise be overlooked.
3. However we also recognise that, to maintain focus, there should be only a limited number of outputs, with enablers and other measures in support. As such the outputs should focus on key priorities and seek to avoid perverse behaviours.
4. It is also vital that, what ever output measures are used, that ORR has absolute confidence in data availability and quality. The published data is used widely, beyond the confines of the rail sector, and impacts on customer choices, policy decisions and business choices. It is therefore vital that outputs which rely on partial data, engineering judgement or estimates are not relied on.
5. Overall therefore we broadly support the principles outlined in this consultation, but have a number of specific comments as detailed below.

Q1. Do you agree with our proposals for outputs and indicators for passenger train service performance? Should we retain the sector level outputs for PPM and CaSL (for England & Wales)? Is there more we need to do to ensure consistency with franchise obligations?

6. We have no comment on the passenger performance proposals.

Q2. Do you agree with our proposals for an output and indicators for freight train service performance?

7. We have not been involved in the development work for the new measure of freight cancellations and significant lateness, which we recognise aims to provide a measure closer to customer experience and expectations than delay minutes. To that end we can support the move in principle, but subject to more detailed information being available as the work progresses.
8. We agree that freight delay minutes should be retained as an indicator, not least to provide continuity between control periods, and to act as a comparator between passenger and freight performance.

9. We recognise that the freight operators do not like the freight performance measure (FPM) which has been published by ORR for several years. The 0-10min threshold is tighter than many customers require, and delays which are requested by the customer are treated in the same way as network delays. However, FPM has gained some currency for its simplicity and comparability to PPM. The consultation is unclear whether this will be retained, but in any event we consider it helpful for ORR statistical publications to contain a measure of freight performance which is meaningful to end customers and the general public, and which provides a continuity of the data series.
10. The new metric, which focuses only on significant lateness, should not be allowed to cause a loss of focus by Network Rail on small delays to freight services, which are critical for some customers. There should not be an overall increase in delay minutes through a move to measure significant lateness.
11. We have no particular comment on how indicators are disaggregated, other than that any breakdown should enable specific attention on issues which are leading to delay. A national figure is probably most useful for demonstrating freight performance to a wider audience, and should be maintained even if route based outputs are also set.

Q3. Do you agree that outputs for Network Rail in relation to named projects, capacity metrics and funds should be project-specific milestones defined in the enhancements delivery plan? Do you have any comments on how useful the enhancements delivery plan has been in CP4? What are your views on indicators to measure the efficiency and effectiveness of the use of the funds?

12. We agree with the proposals for monitoring enhancements.
13. We support a strengthening of the governance arrangement for funds. However, any measures must enable flexibility within the fund, to enable changes to be made throughout the control period as new requirements arise and activities change.
14. As funds tend to target smaller scale enhancements, any outputs must be proportionate. They should also recognise that the benefit /cost ratio may need to consider the overall portfolio of schemes as well as each in isolation – for freight for example, gauge clearance of diversionary routes often has a worse BCR than principle routes, yet is vital to the overall success of the gauge cleared network.

Q4. We propose to define delivery plan milestones to ensure Network Rail delivers a plan to reduce risk at level crossings, and to use certain indicators to monitor Network Rail's delivery of these outputs and its wider legal obligations. Do you agree with this approach?

15. We have no comment in this area.

Q5. Do you have a proposal for an alternative to the existing network availability (for reducing disruption from engineering works) outputs, which could be viably implemented in time for the start of CP5? If the existing outputs are retained do you have any proposals to improve them?

16. The PDI-F has been acknowledged as not fit for purpose and we are disappointed that the consultation proposes to continue with it. The principle concerns are that the measure does not incentivise use of measures such as single line working or diversionary routes for freight, and that the target did not cause any improvement to be delivered.

17. During the control period there has been good progress in developing the Freight Joint Network Availability Plan, which demonstrates the key routes and diversionary route combinations necessary to keep freight moving, and also to stimulate weekend growth. This plan provides a much better framework for the majority of freight traffic than PDI-F.

18. If however a replacement cannot be found in time, then the output measure should include an improvement in PDI-F over CP5. There should also be a commitment to implementing a better metric for Control period 6.

Q6. Should we introduce a measure of the efficiency of the use of possessions, and if so how could this be defined?

19. We would expect that Network Rail's overall efficiency target would drive improvements in possession use, and that a separate output measure would not be needed.

Q7. Do you agree that we should retain the CP4 network capability output? Do you have a view on the usefulness of the indicators suggested, or any further suggestions for improvement?

20. We support this proposal, noting that, as in previous control periods, the output measure should be worded such that any non compliances outstanding from previous control periods are captured.

Q8. We want to improve the definition of the existing station condition output (SSM – station stewardship measure) and introduce a new measure – SSM+ – which provides a clearer disaggregation for measuring condition and better, value based, weights. Do you agree with this new approach?

21. We have no comment in this area.

Q9. Do you agree that we retain the current CP4 measure of depot condition but treat this as an indicator rather than an output?

22. This approach appears pragmatic.

Q10. Do you agree with the proposed new approach to strengthen the focus on further asset management improvements? Do you have any specific comments on the detailed measures?

Q11. Which, if any, of the asset management measures do you think should be regulatory obligations (equivalent to outputs), and which should be enablers/indicators?

23. We agree that Network Rail continues to need to improve its asset management capability and that it is appropriate to include output measures in this area. We particularly support the inclusion of measures on asset data quality which has been a particular weakness.

24. The proposed approach to outputs, enablers and indicators appears appropriate.

Q12. Recognising that certain indicators are needed to monitor HLOS delivery, and that Network Rail is in the process of deciding on further indicators, do you have views on specific environmental indicators which we should monitor?

25. We agree that it is appropriate to base environmental monitoring on the existing range of indicators.

Q13. Should we introduce a new indicator of changes in journey times? Do you have views on how this measure should be calculated? Should we also introduce a measure of accessibility to stations?

26. This is unlikely to be particularly relevant for freight. Although improvements in freight journey time would be commercially desirable, the practical realities of freight pathing mean that significant improvements would be unlikely without other compromises.

27. We would be concerned if any increased focus on journey time was to the detriment of overall capacity on key routes, and in particular to the capacity available for freight.

Q14. Should we introduce a new indicator designed to measure improvements in passenger information provision and how should this be measured?

28. We have no comment in this area.

Q15. Should we also consider new indicators for example covering Network Rail's supply chain management and approach to innovation?

29. We do not consider an explicit output is necessary, as the overall efficiency target should be sufficient to incentivise behaviour.

Q16. Do you have views on the introduction of a new measure of how Network Rail is developing its capability as a system operator, and what the measure should cover?

30. We agree that the establishment of a fit for purpose system operator is critical, particularly if Network Rail continues to devolve further functions to the routes, and to establish alliances and other structures with franchises.

31. As yet, the form, style and nature of the system operator function appears to be far from resolved, and to that end it is difficult to identify which output measures would be most appropriate. Certainly the functions listed are vital, as is the identification of strategic capacity for freight and planning of network wide freight routing and diversionary capability.

32. As Network Rail are still developing its proposals, it may be appropriate to consider the output measures further once progress is made.

33. We understand the issues with identifying simple output measures of capacity and in defining output. CUI clearly has certain merits, but its relationship to, say, actual freight capacity is not straightforward. For freight, capacity on a particular route may not be useable unless it connects to paths on other routes and at ports and terminals. CUI does not incentivise longer trains, or greater loading, which have capability to significantly improve capacity for freight. It also does not incentivise the development of 'better' capacity – for example with reduced use of loops.

34. We have some reservations with the capacity charge, which we have highlighted in our response to the recent Network Rail consultation. The present charge does not provide any incentive on Network Rail to better manage reactionary delay, and the freight operators, who have significantly reduced the number of services and train miles operated (e.g. through using longer trains) and the reactionary delay caused, are not benefiting from any reduction in charge rates. So overall, we agree that there should be changes made in measures, outputs and charges in this area.

35. Any new output should however encourage better management of reactionary delay rather than encouraging Network Rail to effectively reduce route capacity.

Q17. Should we have a mechanism to allow formal trade-offs to be made between high level outputs during the control period?

36. We do not support the establishment of a formal, pre set mechanism. If certain outputs are preventing the delivery of whole industry outcomes then it may be pragmatic to consider changes as and when the circumstance arises. However we would expect this to be exceptional.

Q18. What do you think of the idea of a scorecard to provide context to our assessment of Network Rail's performance in CP5? Do you have views on our proposed scorecard, and do you have alternative suggestions?

37. As a matter of style we can see some merit in a whole industry scorecard. However, there are material differences between outputs which Network Rail is regulated against, franchise performance targets and outturn statistics from the industry. Combining them may be presentationally pragmatic, but should not confuse the distinction between them.
38. Some of the proposed measures are already printed by ORR. However, others would need to be collated in addition – such as FOC revenue. In these cases, ORR will wish to consider how it would do this.
39. This is particularly important for private sector FOCs who are not contracted to Government for service provision, and as such are not required to provide such data. Indeed, they are likely to consider it commercially confidential. In reality, therefore we think this would only be likely to be available from annual reports.
40. Care would also be needed over definition – for example, FOC accounts would include revenues from all activities, including road distribution, terminal activities etc. Some operators do not maintain separate published accounts for their commercial freight business when it is part of wider operation.
41. Existing statistics, such as freight lifted, are not sufficiently granular to be useful, as they only separate coal and other commodities. Although some improvements have been made by ORR, there have been historic issues with data provision particularly from smaller FOCs.
42. Overall therefore we would consider the priority to be the establishment of CP5 regulated outputs for Network Rail. Other industry measures which ORR wishes to collect and publish could be assessed as a separate workstream outside of PR13.