

Consultation Document by the Office of Rail Regulation – Periodic Review 2013; Network Rail’s output framework for 2014-19, August 2012. Response by the Railway Industry Association, October 2012



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Introduction

1. This note constitutes the formal response of the Railway Industry Association (RIA) to the above consultation document. We have limited our response to those questions of direct relevance to RIA and its members.
2. RIA is the representative body for the UK-based railway supply sector, with more than 170 member companies from across the entire field of railway supply. Members include manufacturers, consultancies, contractors and numerous specialist service providers. Most major supply companies are members, together with many SMEs. The supply sector is believed to employ some 80,000 - 90,000 people in total.

Substantive Response

3. **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?**
 - 3.1. This part of RIA’s comments is focused on the establishment of indicators to measure the effectiveness and efficiency of that part of the rail development fund that is allocated to work on innovation. We suggest that ORR sets a requirement that initiatives seeking resources from the innovation fund should be appraised and that estimates of the expected BCR should be made, following the approach adopted by RSSB to prioritising spending on research projects. These estimates should be based on the costs and benefits of both the innovation and its roll-out, and not restricted to the demonstrator project itself. They should also reflect the risks of the innovation failing to deliver, either in full or in part, the benefits anticipated when its trial was launched.
 - 3.2. Paragraph 3.28 of the consultation, which we generally support, suggests publishing the average BCR of the schemes approved and which are enabled through the funds. We suggest that a distribution of the BCRs is published as well, together with uncertainty ranges, so as to provide more information than a single average estimate.

4. **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?**

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

- 4.1. As stated in our February PR013 response, the effectiveness of the possessions regime is of particular interest to suppliers and we consider that the current regime encourages too many weekend and/or short overnight possessions (typically under 8 hours). We do not believe this to be the most efficient way of accessing the network, especially for major renewals and enhancement work, as it results in significant workforce underutilisation as a consequence of uneven distribution of labour and plant requirements over a weekly cycle.
- 4.2. The Railway Delivery Group working group on Asset, Programme and Supply Chain Management is looking at developing new means for planning engineering access to the railway. These should be less disruptive than existing arrangements, and aimed at strengthening the efficiency of the industry as a whole - both train operators and Network Rail with its supply chain. RIA is represented in the working group and participates fully in the workstreams concerned.
- 4.3. In addition, RIA and a number of suppliers have been working with Network Rail to identify a new and more efficient track renewal strategy for CP5. Using the anonymised interview technique contained in RIA's supply chain Value Improvement Programme (VIP), suppliers were asked by an independent third party body to identify what could be done to improve the efficiency of the track renewals process and to identify the potential blockers to achieving this. The results were summarised in a 25-page report which was delivered to Network Rail during Summer 2012. Amongst the key findings were:-
- Network Rail should concentrate on building relationships with the TOCs and FOCs to better understand their key drivers and requirements and to then improve the possessions and/or blockades regime to enable more effective track renewal implementation for CP5
 - There needs to be visibility of a rolling 2-year workbank that is stable and enables longer-term resource planning. The current lack of such visibility drives up costs through the attendant peaks and troughs in activity and also leads to a very short-term focus. This point is not limited to track but is true of other asset categories also
 - The visibility of the workbank needs to be accompanied by earlier supplier involvement in planning and a significant reduction in preference engineering
 - Design needs to be frozen much earlier in the process than is currently the case
- 4.4. The report was one input into Network Rail's review of the track renewals strategy for CP5. A supplier briefing has been arranged later in October 2012 to brief suppliers on Network Rail's current thoughts about the future direction of track delivery and how the Supply Chain can help deliver its business objectives over

CP5 and beyond. This will be a welcome opportunity for suppliers to provide their initial thoughts both on this and on the work being undertaken under the auspices of RDG, as the contracting strategies that will deliver these objectives are defined.

- 4.5. It is too early in the process to suggest a definitive indicator for the efficiency of possession utilisation but this valuable dialogue between Network Rail and its suppliers, using RIA and the VIP process, is most welcome and needs to continue in order to produce a more efficient way of working in CP5 and within that, a more efficient and measurable possessions regime.

5. 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?

- 5.1. In our October 2011 response to an earlier consultation we made the point that pressure on reducing capital costs was driving the industry away from optimized life-cycle solutions towards the lowest initial cost. There was therefore a pressing need to incentivise the industry collectively to move to a life-cycle cost philosophy. We believe that to remain the case.
- 5.2. For that to happen, robust asset information, and access to it, are of course essential. Network Rail has made significant progress in refining their understanding of their assets through their Asset Policies and that has been a welcome step forward.
- 5.3. Two particular aspects appear however to remain outstanding. First, although in some respects the factors taken into account by NR's procurement evaluation criteria do address qualitative factors, they do not generally address life cycle costs explicitly. Secondly, while information on asset performance and degradation in service is plainly essential, as the consultation recognises, it is also important that it is made available to the suppliers of the assets concerned so that they may take steps to improve designs where appropriate.

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

- 6.1. We believe that the existing and well-established IPSOS/MORI annual Supplier Perception Survey (SPS), promoted jointly by Network Rail, RIA and CECA, is already accepted by the industry as a very useful barometer of what suppliers think of Network Rail as a client and, by extension, to the quality and level of Network Rail's supply chain management.
- 6.2. The questionnaire on which the survey is based is a detailed one which is reviewed and amended annually to ensure that the appropriate questions are being asked. The seventh such survey was undertaken this year and the results, based on interviews with a sample of 70 Managing Directors, Chief Executives, Account Directors or equivalent are both comprehensive and revealing and are worthy of further discussion. Verbatim comments to accompany and amplify answers are encouraged and in that context it is worth noting that this year 57% of respondents were happy to have such comments attributed. This is the first time 50% has been exceeded and compares with 47% in 2011 and 40% in 2009. This in itself is a useful indicator of supply chain maturity. The Advocacy score this year of 0.58 compares with 0.33 in 2011 and 0.31 in 2010. And overall satisfaction has risen, driven by a fall in dissatisfied suppliers from 16% to 6%.

- 6.3. We understand that Network Rail makes all this information available to ORR. ORR however publishes only the Advocacy score, and that usually with little substantive comment. We believe that it would be more appropriate for ORR instead to publish a basket of indicators from the Survey including supplier satisfaction, rather than just the Advocacy score; and that in view of its importance the outcome should be given greater prominence than previously. We are also discussing with Network Rail whether they should themselves publish the data.
- 6.4. We think this would be more appropriately seen as an enabler rather than an output. However, we note that recent improvements in the scores are substantially the result of the more collaborative approach now adopted by the senior management team at Network Rail, but which is of relatively recent derivation. We very much welcome that approach, and see it as fundamental to the future success of the industry.
- 6.5. However, management teams change, and it was not long ago that a very different philosophy prevailed. The current approach is so important to suppliers' confidence and to driving efficiency that it should not be capable of rapid reversal at the whim of new personnel at some point in the future. We accordingly see a need for some mechanism to provide checks and balances against sudden swings of policy. We note that para 3.75 envisages that NR should monitor its own capability in a number of areas allowing ORR to monitor progress in these areas also. One area identified is that of collaborative working. It is possible that this could help meet our concerns, and we would wish to explore this further with both NR and ORR.
- 6.6. Our view on the possible use of KPIs as a measure of innovation was set out in our February 2012 response to the consultation on incentives (Q10.4) and is not repeated here. We would however note that the Suppliers Perception Survey does canvas views on Network Rail's attitude to innovation, the results of which could perhaps be included in ORR's basket of indicators proposed above.

7. Further Discussion

- 7.1. We would be happy to discuss any aspect of this response, and would wish in particular to discuss item 6 above.

Railway Industry Association
18 October 2012