

Responses to working paper 7: collaborative working on the rail network

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5th January 2018

Introduction

These comments respond to the ORR's Working Paper 7 on collaborative working on the rail network. The response is provided on behalf of Arriva plc, its subsidiary Arriva UK Trains Limited and its wholly owned train operating companies (TOCs), Arriva Rail London Limited, Arriva Rail North Limited, Arriva Trains Wales/Trenau Arriva Cymru Limited (ATW), DB Regio Tyne & Wear Limited (DBTW), Grand Central Rail Company Limited, The Chiltern Railway Company Limited (CR) and XC Trains Limited (XC). Arriva is a wholly owned subsidiary of Deutsche Bahn AG (DB AG).

Arriva views the Periodic Review (PR18) process as an important element of a coordinated series of activities necessary to ensure that all elements of the Rail Industry structure work together to support the delivery of the vital contribution that rail needs to make to society in the UK.

Therefore, Arriva has played an active part in the Periodic Review process to date and intends to do so going forward. In particular, Arriva is supporting the coordinated industry activity being undertaken by the Rail Delivery Group (RDG).

On this basis, Arriva endorses the responses provided to ORR by RDG relating to the consultation documents issued by ORR to date and confirms that Arriva's views are firmly reflected in the RDG response.

Regardless, Arriva would like to take this opportunity to emphasize a few key points that have emerged through the work undertaken to date.

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Collaborative working in CP5

ORR has sought and received a large volume of input from the rail industry and from other stakeholders with regard to collaborative working in the rail industry in CP5 – in particular through the Charges and Incentives consultation and the review of Network Rail’s efficiency in delivering renewals.

That input has highlighted that there is a significant amount of effective collaborative working undertaken by many rail industry parties and that this has delivered material benefits in many areas including in controlling industry costs, improving operational performance and enhancing the network. The collaborative work undertaken has therefore been of direct benefit to passengers, freight customers and to the taxpayer.

However, the ORR has also heard from the rail industry and other stakeholders that this successful collaborative working has not been incentivised by the existing REBS mechanisms. Indeed, the vast majority of Train Operators have chosen to opt out of REBS – decisions which current evidence would suggest was very wise.

The input provided to ORR already has highlighted that REBS is at the same time too narrowly focused on only Network Rail costs and also too broadly scoped by including matters over which individual Operators can have no material influence. In addition, the potential upside for Operators remains out of proportion to the level of risk to Operators. With these characteristics, it is inconceivable that REBS will ever be successful in incentivising the outcomes it seeks to target. On that basis, Arriva can see no arguments for the retention of REBS per se.

Looking at the successful collaborative working undertaken in CP5 it is evident that a range of bilateral and multi-lateral initiatives have been developed and implemented locally driven by a shared desire from the participants to deliver common goals. Areas where this approach has been fruitful have included:

- Possession planning for maintenance, renewals and enhancement projects
- Development of Business Cases for enhancements including for Digital Railway implementation
- Internal cost reductions through the elimination of duplicate resources – for example in Control Room, Delay Attribution processes and in Station management
- External cost reductions by sharing work between rail industry parties rather than contracting in external resource – particularly in train planning.

Collaborative working of this nature is undertaken through a variety of mechanisms including multilateral Performance and safety groups and through bilateral Alliance structures including those specified in Franchise Agreements.

Network Rail has included a new initiative in its Transformation Plan to develop incentives for Operators to challenge Network Rail Standards that drive unnecessary costs or complexity. To date, no details of this initiative are visible to Arriva but we look forward to engaging with Network Rail on this.

Collaborative Working in CP6

To develop collaborative working further, better structured incentivisation mechanisms are required. In particular, new incentives mechanisms need to address impacts associated with:

- the progressive implementation of Network Rail’s devolution programme and ORR’s Route Regulation policy
- the progressive implementation of DfT’s strategic vision for rail including the establishment of bilateral “partnerships” between specific Routes and “lead” Franchised Operators
- areas where the goals to be addressed do not relate to all of the parties involved – for example, joint working to reduce the cost base of one industry party perhaps at a cost to other industry parties
- potentially different timeframes relevant to the business plans of the industry parties involved – for example, a Franchised Operator with a short remaining Franchise term working with other industry parties on an initiative with a longer benefits realisation timeframe
- contractual mechanisms which may apply to some industry parties but not to others – for example, where a Franchised Operator has a specific obligation to engage with an initiative but other involved industry parties do not
- Network Rail’s reclassification.

It is highly unlikely that an “improved REBS-style mechanism” will be able to address these issues or the other challenges currently experienced with the existing REBS mechanism.

Arriva agrees with ORR’s observation that collaborative working is most effective when the parties involved are incentivised to achieve defined, achievable and beneficial outcomes bringing to bear their different skills and resources to best effect. In that light, Arriva would strongly support the development of an “industry-led approach” which would focus on enabling the development and delivery of a growing number of specific locally generated initiatives which would involve and reward a range of participating industry parties who are relevant and have a part to play in the initiative in question.

Facilitating an industry-led approach

However, if such an “industry-led approach” is to work effectively, the ORR will need to play a significant role in establishing the framework within which such an approach would operate. In particular, ORR will need to establish arrangements to ensure that:

- the opportunity to participate and to benefit from the improved outputs is open to all interested industry players which are relevant and have a part to play in the initiative in question
- Appropriately transparent and comprehensive Governance arrangements are in place to ensure visibility of the initiatives in play, who is involved, what benefits are being realised and how these are being shared. In the light of the disparate remits emerging for the Route Supervisory Boards, it is not clear that these are necessarily the right vehicle to undertake this governance role
- Arrangements to make sure that the benefits are properly accounted for including identifying:
 - what proportion of any cash benefits can be shared outside Network Rail and what are retained for Network Rail to reinvest
 - how any capacity benefits are allocated

- how benefits are shared between non-Network Rail industry parties in reflection of their potentially different contractual obligations to work collaboratively with Network Rail – some Operator will be specifically funded to undertake such activity while other will be doing so at their own risk.

Based on its local operating experience, Arriva's operating business XC Trains Limited (XC) believe that benefit could be derived from greater collaboration working on the rail network in the future building on that which has been started in CP5:

- improving possession planning and project delivery supported by train operator experience with the potential to reduce disruption to passengers leading to lower Schedule 4 payments by Network Rail;
- Supporting earlier and deeper Operator involvement in enhancement scheme development – XC believe that the Derby area resignalling scheme would have benefited from such an approach;
- deploying operator train planners with current experience to support activities such as capacity studies rather make use of bought resources – this would deliver improved quality of output at lower cost;
- continuing to develop the IAP tool (which was partly deployed to optimise the overall industry cost of possessions) together with a form of benefit sharing mechanism involving Network Rail and Operators

Overall, greater consideration needs to be given to how the FNPO Route could participate in mechanisms aimed at improving collaboration on the rail network as to date most thought has been applied to the geographic Routes. Arriva has already observed that Network Rail's current devolution structure means that the geographic Routes seem less incentivised to deliver for XC as it don't feature on the geographic Route scorecards and FNPO Route has limited ability to hold them to account.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard McClean'.

Richard McClean
Managing Director
Grand Central Rail



PR18 Working Paper 7: Collaborative working on the rail network
January 2018

1. The Associated Society of Locomotive Engineers and Firemen (ASLEF) is the UK's largest train driver's union representing approximately 20,000 members in train operating companies and freight companies as well as London Underground and light rail systems.
2. We welcome this opportunity to comment on Working paper 7, which discusses how incentives for collaborative working between operators and Network Rail could be strengthened and we are pleased that the ORR has expressed willingness to work with stakeholders to develop thinking in this area. ASLEF agrees that fostering better collaboration, drawing on the skills and experience of different parties, will be key to improving efficiency across the network.
3. Better coordination between Network Rail and operators is obviously needed on a day to day operational basis as well as collaborative planning for performance improvement on the network, because experiments with alliancing have not been very successful. The working paper outlines two broad approaches currently taken to support collaborative working: (1) Alliances between Network Rail and franchise operators where both parties agree joint working practices that will improve operational and performance issues; and (2) the Route-level Efficiency Benefit Sharing (REBS) mechanism, administered by ORR and designed to create a financial incentive to reduce costs. The paper states that the ORR is exploring moving away from the 'one size fits all' approach of the current REBS mechanism, in the hope that another system will encourage greater levels of collaboration. ASLEF supports this decision: REBS does not provide train operators with any motivation to assist Network Rail because they benefit from compensation for delays attributed to the infrastructure manager. In fact, ASLEF would have reservations about the introduction of any new financial incentive mechanism for CP6. We appreciate the challenges of creating a culture of collaboration, but believe that an alternative approach to fostering collaboration is possible.

4. As the McNulty Report highlighted in 2011, a large part of the lack of communication between Network Rail and train operators results from the lack of alignment between control periods and franchising schedules (e.g. complications when franchise-led activity, tied to the franchising timetable, conflicts with collaborative activities). Another reason identified for the lack of incentive to invest in the railways is that franchises are so short in length. ASLEF agrees with the ORR that the time-limited nature of franchising is unhelpful because it constrains the readiness of operating companies to engage in collaborative projects any more than strictly necessary. The private sector is unlikely to invest in rail infrastructure without being guaranteed a return and this is one of the reasons why we have argued elsewhere against the franchise system and for the renationalisation of our railways.
5. The Secretary of State for Transport's strategic vision for rail describes devolution to more autonomous route businesses and a new generation of rail schemes, with local partners designing, financing and funding rail capacity and new lines. ASLEF has never been in favour of splitting up running trains, track and signals and fundamentally opposes the privatisation of rail infrastructure. As a union we campaign against the privatisation which takes money out of the industry in the form of dividends to shareholders and we believe that fragmentation of rail creates more inefficiency. Although the Shaw Report rejected the wholesale privatisation of Network Rail, we believe that the government's decision to introduce separate route businesses acting as autonomous companies and bringing private finance into running the railways at local level is still pathing the way to further fragmentation and privatisation and is not helpful to improving coordination and efficiency.
6. The assumption in the ORR's working paper is that with the current move underway with CP6 towards further route devolution, the greater focus on the route-level, and the introduction of Route Supervisory Boards, collaboration should become more industry-led and implemented by participants. The suggestion is that ORR will take a step back and its role would be limited to monitoring and supporting industry-led activity, sharing best practice across the network and ensuring that conduct is compliant with regulations. ASLEF has concerns about the introduction of a new model of collaboration being more industry-led, since its success would be dependent on train operating companies engaging with route operators and on industry working proactively. This is a lot of trust and responsibility to hand over when the track record of collaboration is poor and companies' main priority is making profits and answering to their

stakeholders. We feel that such an approach would be risky, particularly without a coordinating body to provide structure to working arrangements. Route Supervisory Boards may be of some relevance here but their focus is on the route level, so national connections and coordination could be neglected. It is not at all clear who proposals and concerns would be made to, how decisions would be reached, or what steps could be taken to address issues that emerge as problematic. Neither is it clear how this approach would fit with the franchise system, to ensure that industry led and franchising led activities are aligned. Furthermore, Route Supervisory Boards are made up of train operators, Network Rail's route team and passenger representation but do not have trade union or railway worker representation.

7. ASLEF is also concerned that the enormity of the task of helping newly created Route Operators, local authorities, developers and communities, who have limited knowledge of the railways, to develop and implement their proposals does not seem to be fully appreciated. Local Councils and business have been encouraged to submit proposals for re-opening railway lines and although the dramatic cuts to local authority budgets mean that they are unlikely to have the financing to fund many projects, a huge amount of guidance and ongoing support will need to be provided to applicants if they do. There is a very real danger that the proposals for devolution and private investment could just make an overly-complicated system worse, not better.

8. There will be an important governance role to play in centrally monitoring the development of new approaches to collaborative working, sharing information, promoting best practice and highlighting where improvements can be made, and this will be a complex and challenging role, given that route devolution is in such early stages and all involved will essentially be experimenting through trial and error. The Working Paper suggests that the onus for this work would be placed on Network Rail instead of the ORR. The apparent willingness to place such an additional burden onto Network Rail is somewhat incompatible with the criticisms of Network Rail, strewn throughout the Working Paper. The paper repeatedly makes the point that Network Rail is a public-sector monopoly and suggests that as a consequence of this, it lacks the incentive to be efficient and should be held more to account. Much of the focus in the paper is on giving operators more influence over Network Rail, which contradicts the idea of handing the infrastructure manager responsibility for providing guidance on better collaboration.

9. ASLEF would argue strongly for the governing body, in whatever form it takes, to issue clear guidance to ensure that no perverse incentives are generated which give any unfair advantage to one operator over others. The reality of collaboration is more complex than finding ways of improving collaboration between single train operating companies and route operators. On multi-operator routes, for example, the relationship between Network Rail and the 'lead' operator can affect relations with other operators using the route. ASLEF's concern is that the whole plan is an experiment that could go badly wrong. Devolution to sub-national authorities can be suitable for services run by a single operator – like Transport for London operating the underground train network – but becomes very complex when different operators are competing on the same route. ASLEF is particularly concerned that the interests of freight operators, who work across more than one Network Rail route, should not be marginalised, and freight routes should be protected. ASLEF has an interest in protecting the rail industry from potential decline and we want rail freight to continue to support supply chains and offer environmental benefits that road freight cannot match. Of broader interest, it must be remembered that freight operators do ballast and infrastructure work and if they are forced into decline, maintenance of the whole network would be threatened. We also want to ensure the protection of small lines that are not lucrative in terms of profits but which provide important services to local communities.
10. There are many logical reasons for moving away from a one-size-fits-all approach but care must also be taken not to exacerbate tensions over access and timetabling or resentment about different standards and preferential deals. Across the UK the railway system varies enormously in terms of track and rolling stock age and crosses a multitude of physical and socio-economic geographies. It will therefore also be important not to oversell best-practice that is incompatible and is unsuitable for replication elsewhere.
11. Rather than persevering with the use of financial incentives for train operating companies, ASLEF believes that other ways of fostering collaboration and more joined-up decision-making should be explored. Reputational incentives are already important for both Network Rail and operators under franchise contracts, and more successful collaboration would have a positive impact on both performance and reputation. As an alternative to using financial incentives ASLEF supports the 'increased output' mechanism whereby operator action increases Network Rail efficiency, thereby enabling Network Rail work to be carried out which in turn improves the operator's performance and revenue. Successful collaboration using this model would be

mutually beneficial in terms of improving service delivery, plus Network Rail's funding would remain wholly committed to the railway. We have reservations, however, about this being an 'industry-led' approach, for the reasons stated above, and hope that ASLEF's reservations will be taken into account.

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Department for Transport

Paul Cornick

By email

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29th January 2018

Dear Paul,

Thank you for giving the Department for Transport the opportunity to comment on the ORR's consultation on the options for improving collaborative working between Network Rail and train operators.

Introduction

The Government's priority is to ensure that customers are placed at the heart of the railway. A key aspect of delivering this is to ensure a more joined up approach to track and train. This will ensure that the railway is run by an integrated local team of people with an absolute commitment to meeting the needs of their passengers, whilst securing the best value for farepayers and taxpayers.

In order for more integrated local teams to realise their full potential and deliver for their customers, it is critical that they have the freedom to reflect local circumstances on the ground. They therefore need to be flexible and meet particular local circumstances. This is why DfT agrees with ORR's more flexible, bespoke position, as set out in the working paper. Specifically, DfT supports a more industry-led model of collaboration, with engagement facilitated through bespoke and flexible mechanisms developed and implemented by participants to reflect local circumstances and maximise their potential. Moreover, this approach will support the Government's reforms by supporting, not duplicating or conflicting with, the approach in current and upcoming franchise competitions. Ensuring a consistent and aligned approach will help align incentives and ensure that joint working delivers what passengers and freight customers want and need.¹

Our responses to ORR's specific questions are set out below.

¹ The Secretary of State's Guidance to the ORR, published on 20 July 2017 states, among other things, his desire for, "ORR to support an ambitious approach to reforming the railway, so that it is better joined up and delivers more effectively for its users."

Do you have any further comments on REBS (in particular do you consider there to be strong arguments for the retention of REBS)?

Reflecting our further consideration of how to maximise the benefits of effective joint working, DfT does not support the retention of REBS. Our view is that NR reform and bespoke closer working between NR and the train operators can provide a more effective way of achieving the behavioural changes needed to incentivise the industry to share risk and reward. This would represent a move away from a complex contractual mechanism towards a style of genuine collaborative working supported by ORR but led by the industry to reflect local circumstances.

What NR/operator collaborative working arrangements have you been involved in over the last control period? In what areas do you consider collaborative working can be further developed? What types of collaboration are likely to have the most material impact on network efficiency?

DfT is procuring alliances between new franchise operators and NR, substantially reforming its approach. Integrated track-train interface is now a requirement of all new franchises. As it will therefore take time to implement alliancing fully across the network, DfT welcomes other collaborative working arrangements that can deliver similar benefits. DfT commissioned the Rail Delivery Group to develop an Alliance Framework Agreement which bidders and NR can draw on as appropriate. One of its provisions relates to an efficiency benefit sharing mechanism. Undertaking this through an industry-led approach – be that an alliance or another collaborative working approach - would allow bespoke arrangements to be developed which both NR and train operators are bought into and committed to deliver. DfT believes that this is the appropriate way to deliver efficiency sharing schemes that support effective joint working.

Which of the two options to support collaborative working outlined in this paper (i.e. an improved REBS-style mechanism or an industry-led approach) do you consider will be most effective in supporting collaboration on the network? Please provide examples of the collaborative working you think will likely be affected.

As discussed above, DfT believes that reforming the culture of the railway through industry-led change, focussed on delivering the best outcomes for customers at a local level, is the most effective way to support collaboration on the network.

What factors do you consider will be important in influencing the nature and scale of collaborative working achieved through an industry led approach?

DfT believes that the following factors will be of particular importance:

- Effective use of the scorecards, both in holding NR to account and in the robustness and relevance of the measures they include. The regulatory incentives faced by NR under route scorecards should be better aligned with the contractual incentives faced by franchisees (and complex regulatory mechanisms which could cut across these should be avoided).
- The effectiveness of the Route Supervisory Boards and in general the extent of collaborative working across the industry. The major challenge for the alliancing concept is to develop effective means to enable collaborative working in a multi-user context, which is the context most relevant to the GB network. We expect

Network Rail's Freight and National Passenger Operator route and System Operator to play a significant role in ensuring that the interests of minority operators (both passengers and freight) are considered. In addition, we expect NR to produce transparent guidance reflecting how key decisions are made and for this to be supported through the regulatory regime.

- The effectiveness of NR's routes in identifying opportunities for greater collaboration and that route devolution is sufficient to ensure the routes' freedom to implement those plans, building up strong and effective working level relationships.
- The effectiveness of NR in engaging with its routes.
- A high degree of transparency by NR in order that industry has confidence in working with NR more collaboratively.

DfT shares ORR's view that the regulator's role in an industry-led approach should reflect this approach and should involve aspects such as producing targeted guidance where there is a clear need for it (e.g. where the industry has requested it, or to tackle barriers to collaborative working where these have been identified) to support the industry-led approach, monitoring the nature and scale of collaboration and identifying the factors that influence its effectiveness, and monitoring and holding NR to account for the commitments it makes to support collaborative working. **In particular, we see that there would be a particularly important role for the ORR in setting clear principles that NR should deploy to support joint working. This should help, along with the clear expectations being placed on franchisees, to support a strong culture of joint working and effective collaboration.**

What actions/commitments should be made by organisations across industry (including ORR and governments) to address these factors?

DfT will procure alliance arrangements as part of new franchises. In doing so our focus will be on all parties working together to develop these alliance arrangements in a multi-user context. Ensuring clear expectations amongst all parties will be important to support this.

How should Route Supervisory Boards be used to facilitate collaboration? How will this change on multiple user routes?

The Route Supervisory Boards can support joint working between NR routes and the train operators, particularly on multi-user routes because they bring all parties together and create the environment in which collaborative working arrangements can be developed collectively. We expect Freight and National Passenger Operators to play a role in ensuring that both freight and cross country operator views are represented.

Conclusion

Providing the framework in which NR and the train operators have the incentives and freedom to work jointly and collaboratively is critical if the industry is to work as one team to deliver for railway users. PR18, combined with NR's transformation programme, present a real opportunity to put this framework in place. DfT encourages ORR to take the approach proposed in the working paper of a bespoke, industry-led model.

DfT would welcome further bi-lateral discussion with ORR as it develops its proposals in the light of responses to this consultation paper, particularly to ensure that, working together, we can maximise the benefits of joint working for passengers.

Yours Sincerely

A handwritten signature in black ink that reads "Phil West". The script is cursive and fluid, with the first letters of "Phil" and "West" being capitalized and prominent.

Phil West
Director, Rail Strategy & Security and One Railway

Working paper 7: response from East Midlands Trains

With regard to the ORR's consultation on collaborative working, thank you for engaging EMT in a face-to-face discussion on this subject back in November last year. I found it very useful and constructive.

Since we had an informal discussion on some of the topics included in this Working Paper, I would like to respond to this Working Paper on Collaborative working on the rail network by email only with further comments on specific questions.

Collaborative working in CP5

1: Do you have any further comments on REBS (in particular do you consider there to be strong arguments for the retention of REBS)?

In EMT's opinion, REBS does not create greater incentive for joint working between TOCs and NR or improving efficiency of NR. Some of the scope of REBS e.g. Network operations, maintenance & renewal are beyond TOCs' capabilities in terms of technical expertise and financial control. Thus, TOCs will have very limited influence over Network Rail's control of expenditure included in the REBS.

The current design of REBS is that if Network Rail financially underperform for a particular route, participating operators will share 10% of REBS underperformance. This imposes a financial risk on TOCs who have limited influence on NR's income and expenditure included in the REBS. It is not a simple task for TOCs to budget for REBS payments (for either over-performance or under-performance); it would require a specialist resource to just keep track of the NR's performance.

Collaborative working in CP6

3. Which of the two options to support collaborative working outlined in this paper? 'improved REBS-style mechanism' or an 'industry-led approach'?

We don't think REBS has been fit for purpose i.e. incentivise joint working and help improve efficiency of NR. So we do not support the REBS mechanism to be adopted for CP6.

Facilitating an industry-led approach

We support close working relationship and do believe it will drive collaboration. However, in order for this to be effective both parties need to share a common goal. This is particularly difficult to achieve in many cases because it is heavily dependent on the structure of the organisation / project teams / supply chains within NR. There may be a wider organisational or cultural change within NR required to help foster a closer working relationship.

Lanita Masi, Track Access & Network Change Manager, East Midlands Trains

Office of Rail and Road PR18 Consultation

Working paper: Collaborative working on the rail network

Response from Freightliner Group

January 2018

INTRODUCTION

This is the response of Freightliner Group Limited encompassing its subsidiaries Freightliner Limited and Freightliner Heavy Haul Limited to the Office of Rail and Road's (ORR) working paper on the collaborative working on the rail network.

PERIODIC REVIEW PRIORITIES

Freightliner's priorities for the Periodic Review 2018 are:

- A continued emphasis on improving safety
- A stable, national and simple charging and incentives framework, which does not increase the overall level of net costs borne by freight operators
- Reducing overall industry unit costs and delivering efficiency
- A greater focus on optimisation of capacity and careful balancing of passenger and freight needs by the System Operator
- Delivery of value for money outputs through a long term programme of infrastructure
- A customer focused ethic throughout Network Rail and a supplier who wants our business to be successful

EXECUTIVE SUMMARY

- Freightliner supports a framework to support collaborative working between operators and Network Rail with the joint aim of reducing costs
- Due to the national and competitive nature of freight operators a clear framework, guidelines set by the ORR is needed to enable more effective jointing working with the Freight and National Passengers Route in CP6.
- Freightliner supports the retention of a structured efficiency saving scheme for the freight sector but recognises this may be less important for franchised passenger operators - one size does not necessary fit all
- A direct financial incentive will have more effect on the behaviour of commercial bodies such as freight operators than the promise of a future network improvement
- It will be very important for Network Rail to understand what type of arrangement is possible.
- Improving data quality and transparency will be imperative to enable operators and Network Rail to better identify opportunities for cost savings
- Without a clear framework and guidelines there is a risk that little collaborative working will happen and savings will not be identified and made i.e. the status quo will continue.

OVERVIEW

There is already considerable joint working between Network Rail and freight operators. Examples include:

- the programme to reduce the number of freight paths in the working timetable. Over the last 2 years over 5000 paths have been removed
- the governance group that oversees the Strategic Freight Network programme that has

sought to optimise value for money and achieve the best use of available funds for enhancements to the rail network that will support freight growth

- the joint working to agree a complex and long term agreement that will underpin ETCS signalling fitment to freight locomotives and will support the roll out of the digital signalling programme across the UK
- joint working on performance, particularly in areas such as right time departures and schedule accuracy that has supported improved Arrival to Fifteen (A2F) figures, resulting in a more reliable offering to customers

However, there are areas where the commercial incentives of Network Rail and freight operators are not naturally aligned, so a more structured framework is required to support better alignment. There is an opportunity for operators to work more closely with Network Rail to help save costs and achieve better outcomes in CP6. The ORR has a very important role in setting up frameworks and guidelines that will support industry players to work together more effectively to achieve these aims in the future.

In setting the frameworks and guidelines for CP6 it is suggested that the different types of players in the industry may require different levels of support. A franchised passenger operator, with its business concentrated in its lead Network Rail Route, is able to form a strong partnership and agree bespoke arrangements. Freight operators, on the other hand, have nationwide businesses, and a changing customer base dispersed across most of the Routes. There is a strong case for a more defined arrangement for freight operators than may be suitable for franchised passenger operators.

Freightliner welcomes the ORR's intention to continue to engage with stakeholders as the framework is developed for CP6. We think it would be particularly useful if a workshop could be set up, chaired by the ORR, to focus on the most appropriate arrangements for the freight sector.

Current Approach

In its working paper the ORR has laid out some of the components of the REBS model set out in CP5 that could be improved, and why the REBS framework has not in practice worked as intended. In particular the following elements resonate with Freightliner:

- operators limited ability to influence Network Rail's costs over a broad range of activities
- the ability to separate the contribution of operators to changes to the whole cost base
- the asymmetric basis of the relationship between Network Rail and operators, in particular with regard to the ability to access information in a meaningful way

In addition, particularly in the case of freight operators we would add:

- the inability of freight operators to take the risk of downside payments outweighed the potential opportunity for upside payments
- the lack of willingness to take the downside risk given the limited ability to influence a Route's holistic cost base, especially given the wide geographic spread of freight operators' business

Developing an alternative approach to collaborative working

Although as described above there are good examples of joint working between the freight operators and Network Rail, there is more that could be done if the incentives of Network Rail and freight operators were more closely aligned. There are potential benefits that are not currently being worked on that could be realised with an improved framework; a revitalised and more focussed scheme is needed for CP6.

One example is where there may be an opportunity to rationalise some infrastructure assets across the network that may now be considered redundant. A benefit-sharing scheme would help to address Network Rail concerns about the ability of such a rationalisation project to pass through Network Change.

Providing Incentives for collaboration

We note that the ORR has stated in principle that costs savings identified through collaborative working could be measured and shared between Network Rail and the relevant customers. We welcome this clarification and believe that, as articulated in this response, a commercial incentive for commercial bodies is the key to a successful scheme.

We agree with the ORR that it will be important that a scheme based around payments to operators will require robust governance arrangements. The ORR has an important role in ensuring that such arrangements are put in place to ensure transparency and fairness, as well as ensuring that savings are 'genuine'.

We suggest that a CP6 scheme is focussed on where positive benefits can be realised and where currently there is no incentive on operators to agree them. This is particularly pertinent for freight operators, who have long term businesses that rely on constantly developing new flows of traffic as business needs evolve over time. There is consequently no incentive for freight operators to agree to the removal of crossovers, loops or freight only lines that may be needed in the future to support new business flows. Sites that have been closed for 20 years can come back into use e.g. Luton, Guide Bridge

Therefore a scheme that nudged freight operators through a financial incentive (a % share of the savings made) to agree to rationalisation of the existing infrastructure would focus the operators in identifying these opportunities. It is also important that locations where there is a real prospect of being used for future rail freight are preserved. Decisions should be aligned with the Network Rail freight land portfolio to ensure that Strategic Freight sites are not disconnected without a holistic land and infrastructure approach being agreed.

A challenge for freight operators is having the incentive to provide resource to work with Network Rail to identify savings. With no current framework in place, freight operators are not pro-actively dedicating resource to consider opportunities. Only a direct financial incentive will support a business case within freight operators to do so. For example to identify lines where maintenance costs could be reduced through agreeing to speed reductions.

Network Rail have suggested an approach where-by a percentage of the savings generated are re-invested in freight schemes to improve the performance and capability of other locations on the remaining freight network. Whilst we understand the reasoning behind this approach, it will not provide a sufficient or direct enough incentive for freight operators to make a business case to underpin the scheme with resource, or to accept changes that will result in additional costs.

Because of the competitive nature of the rail freight sector there would always be concern from freight operators that savings that impacted on one freight operator could be used to benefit a competing operator in another location. As recognised by the ORR in its working paper, with the wide geographic nature of freight activities it will be also be difficult to identify outputs (where identified savings could be invested) of sufficient desirability to provide a sufficiently strong incentive to generate efficiency savings.

There is a more general concern that any future benefits would not be clearly identifiable at the time of creating the savings, and that they would take some time to be realised - again making it

more difficult for the freight operator to make a business case for resource and/or support for a scheme.

Some of the savings may in themselves increase the cost of operations to freight operators. It is unlikely that freight operators would agree to such changes without a clear financially based incentive scheme being put in place. With no change to the current mechanism there is unlikely to be any change to current behaviours.

Freight operators are wholly commercial bodies that work in a very different environment, and to different timescales, to an arm's length government body managing a long-term national infrastructure. Freight operators are used to acting quickly when the environment changes and identifying and implementing cost savings - this was recently evident post the rapid decline in the electricity coal sector. In order to capture some of that private sector commercial approach and imagination, there is a need to set up incentives that are relevant to private sector companies.

What a new approach might look like

Whilst bespoke and flexible mechanisms may be more suitable for franchised passenger operators who have a particularly strong relationship with one Network Rail Route, such an approach is not likely to be effective for national and competing freight operators. As an absolute minimum, it is imperative that clear guidelines and criteria are set out by the ORR, and we strongly support ORR's view that such guidance would add value.

Our major concern is that if arrangements are in effect left to the industry, then the status quo will prevail and no real action will be undertaken. As a result the achievable cost savings will not materialise as hoped.

Another concern is how bespoke arrangements could be put in place with one freight operator that could impact on another freight operator, either currently or in the future. In order to have a workable scheme it will be vital that the method of sharing benefits between competing freight operators is clearly articulated and a transparent methodology is laid out. This is also necessary to protect Network Rail from being accused of favouring one operator over another.

We have previously suggested that consideration is given to a Freight Efficiency Benefit Sharing (FEBS) scheme, based on the work that was undertaken by LEK in 2014 on behalf of Network Rail and the FOCs. This is an upside only scheme that could support cost savings that would not otherwise be achieved. It is still our view that such a structured scheme is the best way to facilitate the joint working and innovative thinking required to generate savings, given the structure of the freight sector.

The advantages of the proposed FEBS framework is that it focuses on a defined group of costs which are relevant and can be influenced by freight operators, rather than the much wider scope of costs included in the CP5 REBS scheme. This would create a much stronger link between action and outcomes. It would create a more structured environment between competing freight operators, which would be perceived as transparent and fair.

Possible ideas for scope for a FEBS type framework include:

- reducing speeds on freight only routes
- reducing capability on routes - such as maximum allowed axle loads
- identifying infrastructure to remove e.g. loops and crossovers
- agreeing routes that would no longer be considered freight capable infrastructure
- identifying locations where mothballing would be appropriate

The idea of the scheme is that it will create a place where concrete schemes can be suggested by any of the parties. It should enable thinking from first base rather than the current approach to change, which is incremental.

A panel could be set up, to include all freight operators and Network Rail to oversee the proposals being made and ensure that they are collectively and holistically considered.

It will be very important for Network Rail that it understands what type of arrangement is possible, especially given its changed status to a wholly owned subsidiary of government during CP5. Currently, Network Rail seem unsure as to the arrangements they are allowed to put in place, and this has had the effect of ossifying any progress in joint working on cost saving. It is of paramount importance to the future success of any scheme that Network Rail are absolutely clear as to the type of arrangements that are possible and what is out of bounds. This reinforces the need for clear guidelines set by the ORR and effective and proportionate governance undertaken by Network Rail.

To be successful it would help if there were clear rules that enable Network Rail to account for savings over a longer period than one Control Period. Network Rail Routes currently have little incentive to rationalise the network to support maintenance savings in the future. If for example, a crossover or loop is identified as no longer required, due to changes in train patterns, the cost of removing it can be quite substantial. It is difficult to make a stand-alone business case to remove the asset if the cost of the removal cannot be paid back by maintenance savings within the Control Period. This limits incentives for the Route to spend money in taking out the redundant asset, even though there may be a clear business case to do so over a longer period.

As the Freight and National Passenger Operator (FNPO) Route has no assets as such, for which it is responsible, the FNPO Route itself must be clearly incentivised to work with freight operators to identify savings. We note that as currently structured in the draft FNPO Strategic Business Plan any savings made on freight infrastructure will be credited to the geographic Routes and will not be realised in FNPO books. In order for a scheme to be successful savings identified by the FNPO Route should be identified in its books.

Structuring Collaboration

Improving the quality of data available to operators will be vital to enable better decisions to be made. This is a key area that will strengthen the success of any scheme or framework and we suggest that there is more focus on this area going forward.

There is currently very little granular level information on costs available to freight operators. Understanding costs is the first step in any cost savings exercise. This is an area where Network Rail has a very important role in supporting successful outcomes from collaboration. Without detailed cost data it will be difficult for savings to be prioritised or to move beyond a conceptual stage.

We do not believe that the Route Supervisory Boards have a strong role in this area. We understand that these Boards main purpose is to provide better outcomes for passengers and freight users. It is also important (and we understand it is not the intention) that the Route Supervisory Boards are not seen to replace the embedded and contractual industry processes for agreeing change. This is particularly important as not all operators are represented on Route Supervisory Boards for practical reasons. The success of identifying costs savings will be based on bottom up detailed work and that could only be endorsed in principle by any high level board.

Conclusions

Freightliner supports the development of a structured scheme for the freight sector in CP6 with a focussed scope where freight operators can have greatest influence. In order to be effective this should have clear and direct financial incentives for freight operators and be supported by

improved data provided by Network Rail and a robust and transparent governance process. The FEBS scheme developed by LEK, would create a good starting point for further development.

Working paper 7: response from Heritage Railway Association

As the Heritage Railway Association members use only small parts of the national network and then generally only in the summer, our request is that our members don't become squeezed out as a result of collaborative working. So we would like to see any collaborative working mechanism introduced or current one modified to done so that they include our members should they wish to be involved. We don't see there is specific scope to include charter operators except perhaps if collaborative working was introduced in an area where the charter operator's base is located.

One specific issue is as our members often own land adjoining Network Rail property, our members sometime wish to purchase or lease very small areas of land from Network Rail. Sometimes the negotiations with Network Rail on the transfer of these areas of land can be protracted, as they are often of no value to them - but they are important to our members. We would like to see Network Rail required to collaborate with our members in a timely manner in these cases.

Ian Leigh

Finance Director
Heritage Railway Association

Network Rail Infrastructure Limited's response to ORR's Periodic review 2018 (PR18) working paper: Collaborative working on the rail network

Executive Summary

1. Network Rail is pleased to respond to ORR's working paper: Collaborative working on the rail network.
2. We are now delivering the biggest improvement of the GB railway for at least a century. At the same time, our Transformation Plan sets out our plans to develop better ways of working that put passengers and freight users at the heart of everything we do. Part of the Transformation Plan is to develop better ways to work collaboratively with our customers.
3. An effective regulatory framework that supports joint working in CP6 is key. We welcome ORR's review, therefore, of the effectiveness of current joint working arrangements. This is particularly important following DfT's recently published rail strategy, ['Connecting people: a strategic vision for rail'](#) which includes an aim to improve collaboration between Network Rail and franchised train operators, by making changes to the traditional franchising model.
4. DfT's rail strategy is consistent with and supports our own plans to transform the railway. Our devolved route-based businesses, the introduction of jointly agreed CP6 scorecards and independently chaired Route Supervisory Boards (RSBs) will support DfT's plan to bring track and train together, and facilitate the alignment of incentives. It is important that the regulatory framework supports these initiatives in CP6.
5. We consider that the current regulatory mechanism to align incentives, the Route-Level Efficiency Benefit Sharing (REBS) mechanism, has not supported closer working in CP5 as well as ORR had hoped. Whilst the implementation of REBS in CP5 was well intended, it has not delivered the desired benefits. In some instances it has adversely impacted relationships with train operators through disagreements on the size of REBS payments. Therefore, Network Rail favours replacing REBS with an industry-led approach to collaboration in CP6.
6. An industry-led approach in CP6 should provide Network Rail and passenger and freight train operators with sufficient flexibility to determine the types of collaboration that should be in place across the network. Whilst there are already many examples of successful joint working arrangements between Network Rail and passenger and freight train operators we recognise that we can do more in CP6, building on the successes to date.
7. To date, one of the key obstacles to collaboration between Network Rail and train operators has been the misalignment of targets. We consider that changes to the franchise model and the introduction of jointly-agreed CP6 scorecards should support Network Rail and train operators working towards clear, aligned goals. This should, in turn, support the implementation of an industry-led approach to collaboration.
8. It is also important that there are forums in place to support this work in CP6, for example RSBs have a role to play in supporting collaboration on the network. RSBs facilitate conversations between Network Rail and passenger and freight train operators and help determine the strategic direction of the route.
9. In respect of ORR's role in supporting and facilitating collaboration in CP6, we consider that it should be focused on providing guidance on joint working arrangements, particularly for multi-operator routes. ORR should work closely with the industry as it develops and concludes on its policy for aligning incentives in CP6. We would welcome further clarity on ORR's planned engagement with industry on this work in the lead-up to the PR18 Draft Determination.
10. Network Rail has responded to each of ORR's questions in turn. If you would like to discuss any part of our response in more detail, please contact Alexis Streeter in the first instance.
11. We do not consider the main part of our response to be confidential. However, we request that the **examples of joint working arrangements in CP5, set out in Annex 1, remain confidential** since they relate to agreements in place with individual operators.

Collaborative working in CP5

Q1: Do you have any further comments on REBS (in particular do you consider there to be strong arguments for the retention of REBS)?

Network Rail has already set out its concerns relating to REBS in response to a number of PR18 consultations. We have also contributed to RDG responses to these consultations. While recognising that the mechanism was well-intended, our responses have outlined a number of issues, including the lack of alignment between our business plans and REBS baselines, the broad scope of the mechanism which limits the ability of operators to influence the relevant cost and income categories and the overall complexity of REBS.

Our response to ORR's December 2016 consultation on changes to charges and contractual incentives highlighted that we do not consider REBS to be simple, understandable or easy to administer. We did at that stage, however, consider there could be merit in maintaining a default sharing mechanism to encourage collaborative working between Network Rail and operators. This was on the basis that alliance arrangements may not always be practicable or possible.

However, following various industry discussions over the course of 2017 (most notably at the April and August RDG PR18 working groups), we no longer consider that a reformed default sharing mechanism for CP6 is appropriate. In particular, we note train operators concerns about the lack of influence over Network Rail's cost base and a strong preference for bespoke forms of joint working, the details of which can be tailored to the nature of the relevant train operator and Network Rail route.

In addition, our experience of REBS in CP5 is that in some instances it has adversely impacted relationships with participating train operators, because of the lack of clarity of the causes of REBS money flows. We also note that take-up of REBS in CP5 has been extremely low. We consider this reflects that it is not a mechanism that meets train operators' joint-working objectives.

Replacing REBS with an industry-led approach to collaboration in CP6 is also consistent with other significant developments that took place during 2017. These include the introduction of Route Supervisory Boards (which we discuss in further detail in response to question 6, below) and DfT's November 2017 publication: 'Connecting people: a strategic vision'. DfT's rail strategy highlights the importance of collaborative working between Network Rail and train operators in CP6 and sets out plans to introduce a new generation of closer partnerships, within potentially longer-term and smaller franchises.

We strongly support DfT's rail strategy as it is consistent with and supports our own plans to transform the railway. Our Transformation Plan sets out our plans to develop better ways of working that put passengers and freight users at the heart of everything we do. The devolution of Network Rail places accountability closer to our customers, passengers and freight users so that decisions can be more relevant to their needs and acted upon more quickly. The implementation of route-level regulation and, in particular, the development of jointly agreed CP6 scorecards with targets that are focused on our customers' needs will further support the alignment of track and train. Devolved route businesses should support the development of local alliances and allow us to build joint regional teams focused on very clear, aligned goals.

In summary, we consider that these changes provide the industry with an important opportunity to focus on an industry-led approach to collaboration in CP6. As discussed in ORR's working paper, a

'one size fits all' approach to collaboration (e.g. REBS or a reformed default sharing mechanism) is unlikely to be an effective way to support collaboration in CP6. An industry-led approach should give Network Rail and passenger and freight train operators' sufficient flexibility to agree the types of collaboration that would work most effectively for the relevant part of the network, ultimately, improving overall passenger, freight and customer experiences.

Q2: What Network Rail/operator collaborative working arrangements have you been involved in over the last control period? In what areas do you consider collaboration can be further developed? What types of collaboration are likely to have the most material impact on network efficiency?

There are various approaches currently in place to support closer working between Network Rail and its customers which include 'deep' alliances and smaller bespoke joint working agreements. Our response to this question provides some examples of these approaches.

One such example is the bespoke 'deep alliance' agreement between Network Rail and Abellio ScotRail, which was entered into in 2014 and became operational in 2015. The alliance is underpinned by a common set of aims and objectives, and led by an Alliance Managing Director and senior management team (although the companies remain separate). One recent example of collaboration as part of the alliance involves the Aberdeen to Inverness project (A2I) where the alliance was able to work together to secure improved access by aligning incentives and sharing risk.

However, 'deep alliance' arrangements may not always be appropriate. Instead, Network Rail routes and passenger and freight train operators may enter into bespoke, smaller scale joint working arrangements which are tailored to the needs of both organisations. We have provided examples of these smaller-scale, bespoke joint working arrangements in Annex 1.

These examples highlight a number of common themes in the types of collaboration that have taken place across the network in CP5, which we summarise, below:

- *Performance improvement:* Improving performance is a key focus for the rail industry. Network Rail and train operators have worked closely to implement schemes that focus on improvements to performance (e.g. joint route controls). This has resulted in the development of more effective contingency plans and faster response times to incidents on the network. We have seen improvements in PPM, CASL, delay minutes and delay per incident as a result of these schemes.
- *Safety:* We are a safety critical company. We have worked closely with passenger and freight train operators to improve the reporting processes for safety issues on the network. This helps us in identifying, investigating and resolving potential hazards on the network in a timely manner.
- *Joint communications:* There have been a number of significant enhancement projects over recent years. To minimise the impact on passengers and freight users, we have worked closely with train operators and other stakeholders to improve communications to affected rail users.
- *Access:* We have worked with train operators to develop more efficient possession plans. This has involved operators providing Network Rail with greater engineering access to the network to deliver renewals.
- *Capacity:* We have worked with freight operators to identify freight paths that are no

longer required following changes in freight traffic, and have removed these from the timetable. Currently unused freight paths that have the potential to support future freight traffic growth have been retained as Strategic Capacity.

Currently, there are various forums that facilitate discussions between Network Rail routes on the types of joint working arrangements that are in place across the network¹. This enables the sharing of best practice between routes and supports conversations on the successes and obstacles encountered when implementing different types of joint working arrangements. We expect this to support the development of more joint working arrangements in CP6, and ensure that they build on the successes and seek to overcome the challenges that have previously been identified.

In respect of areas where there is the potential for further collaboration in CP6, we consider that these will be wide-ranging. Such opportunities will be driven by the individual circumstances of the passenger and freight train operator and Network Rail route, as well as other factors such as the franchising regime and regulatory framework. In particular, we consider that there is a significant opportunity in CP6 for further joint working with operators on the planning and delivery of possessions, which could have a material impact on efficiency. We would welcome the opportunity to work with passenger and freight operators to achieve this in CP6.

In light of changes in freight traffic flows, notably the reduction in coal traffic, we also consider that there is an opportunity for a network optimisation programme in CP6. This programme could involve freight operators working with Network Rail to agree to remove certain parts of the current freight network, such as unused freight only lines in CP6. The resulting savings in operations, maintenance and renewals costs could be reinvested in capacity, performance or safety schemes on the freight network. This should support future freight growth and improve network efficiency.

Collaborative working in CP6

Q3: Which of the two options to support collaborative working outlined in this paper (i.e. an 'improved REBS-style mechanism' or an 'industry-led approach') do you consider will be most effective in supporting collaboration on the network? Please provide examples of the collaborative working you think will likely be affected.

In response to question 1, above, we set out our views on why we do not support the continuation of an 'improved REBS-style mechanism' in CP6. Instead, we consider that an industry-led approach to collaboration could be more effective in supporting collaboration on the network in CP6.

Moving away from a 'one size fits all' approach (e.g. REBS or a reformed default sharing mechanism) to an industry-led approach to collaboration should provide Network Rail and train operators with sufficient flexibility to determine the types of joint working that are tailored to their part of the network.

As discussed in response to question 2, above, there are already many examples of successful joint working arrangements between Network Rail and passenger and freight train operators in CP5. We recognise that there is more that we can do in CP6, to build on the successes to date. An industry-led approach to collaboration could support Network Rail and passenger and freight train

¹ Examples of this include Route Visualisation Meetings, Periodic Business Review Meetings and cross route finance forums.

operators in achieving this, as it would not be prescriptive and would not constrain the industry in deciding what arrangements should be in place.

We believe that a key area of focus for Network Rail during CP6 could be the development of 'access alliances' that focus on improving the planning and delivery of possessions (i.e. providing Network Rail with sufficient engineering access to the network). We welcome the opportunity to continue to engage with train operators and strengthen the close working relationships that have developed in this area during CP5.

We also consider that an 'industry-led approach' to collaboration in CP6 should be aligned to and support the overall direction of travel of the rail industry. As mentioned in response to question 1, above, there have been a number of significant changes to the rail industry in recent years. The devolution of Network Rail, the implementation of jointly agreed scorecards and the introduction of Route Supervisory Boards support our commitment to put rail users at the heart of everything we do. This is consistent with DfT's rail strategy which sets out its plans to introduce a new generation of closer partnerships within potentially longer-term and smaller franchises. We consider that these changes will support the creation of more local alliances and smaller, bespoke joint working arrangements with all types of passenger and freight operators, where we will work as 'one-team' with clear, aligned goals.

Whilst we are generally supportive of ORR's proposed 'industry-led approach' to collaboration in CP6, we have a few concerns around its proposed design (as discussed in ORR's working paper), which we set out below.

Incentives on operators

We note that ORR's consultation sets out two possible types of incentives which could be used to encourage operators to work with Network Rail in CP6: 'financial payments' and 'increased outputs'. We recognise that financial payments to operators could act as an incentive to encourage closer working arrangements in CP6. However, we need to consider whether this is feasible with Network Rail's obligations under the Managing Public Money rules. If this is possible, there may be a case for making financial payments to operators in some instances, for example where train operators agree to give Network Rail greater access to improve the network.

However, as noted in ORR's working paper, accurate efficiency measurement can be complex and it may be difficult to isolate the impact of a close working relationship on efficiency savings. We should be mindful of this in considering the appropriateness of financial payments to passenger and freight train operators.

Instead, we consider that increasing the level of outputs delivered by Network Rail could be a more appropriate way in which to incentivise operators to work with Network Rail in CP6. This would ensure that any financial savings realised as a result of collaborative working between passenger and freight train operators and Network Rail are reinvested back into the industry, ultimately to the benefit of passengers and freight customers and taxpayers. We would then work with passenger and freight train operators to discuss where the financial savings as a result of collaboration should be invested in the network.

Governance arrangements

We note that ORR's working paper discusses whether there is a need for a process for appeal or resolving disagreement between Network Rail and passenger and freight train operators regarding

joint working. We do not support the introduction of a formal process to resolve and agree joint working arrangements in CP6. Ultimately, Network Rail is responsible for delivering its regulated outputs and, therefore, it is important that Network Rail has sufficient control to be able to achieve this. Whilst we welcome passenger and freight train operator input and suggestions on possible ways to improve network efficiency, this should not hinder Network Rail's ability to deliver its outputs. We should also seek to avoid introducing additional red tape into the industry, particularly where collaboration is concerned.

However, we recognise the need for sufficient governance arrangements to ensure the success of an industry-led approach to collaboration in CP6. This is particularly important for passenger and freight train operators who may be impacted by joint working arrangements in place between another passenger or freight train operator and Network Rail. We consider that the guidance published by ORR on joint working arrangements in CP6 will play an important role in this area, which we discuss in response to question 5.

We recognise that ORR is at a relatively early stage of its thinking for an industry-led approach. It is important that ORR works closely with industry as it develops and concludes on its policy for aligning incentives in CP6, especially given the nature of this work. We look forward to feeding into this process over the coming months.

Facilitating an industry-led approach

Q4: What factors do you consider will be important in influencing the nature and scale of collaborative working achieved through an industry-led approach?

We have summarised, below, the main factors that we consider could influence the nature and scale of collaborative working in CP6 and beyond:

Franchise specifications

We consider that where collaboration between Network Rail and a franchisee is set out in franchise specifications, it will have a significant impact on the nature and scale of joint working in CP6 (and beyond).

We support, therefore, the different models of collaboration set out in DfT's November 2017 rail strategy, which will be taken forward as part of future franchise competitions. These will be tailored to the circumstances of each franchise and will require train operators to develop much closer working relationships with Network Rail (for example, the Southeastern franchise requires the appointment of a single Alliance Director responsible for the delivery of operations and performance). We consider that such changes will complement Network Rail's devolution, allowing us to build joint regional teams focused on clear and aligned goals.

Alignment of targets

To-date, we consider that one of the key obstacles to collaboration between Network Rail and franchised passenger train operators has been the misalignment of targets. Different targets have created an inconsistency between what franchisees and Network Rail are expected to deliver.

For example, often there has been a divergence between Network Rail's regulated performance targets and franchised passenger train operators' performance targets (although we note that our performance forecasts will not always align with franchise performance targets, as these may not

always represent the latest view of an achievable level of performance for Network Rail). In addition, due to franchises being typically seven years in length, it is often difficult to align operators' short / medium-term priorities with Network Rail's longer-term priorities for the network.

We consider that changes to the franchising model as set out, above, should support the alignment of targets ensuring that franchised passenger train operators and Network Rail are working to achieve the same goals. In turn, this should support the implementation of an industry-led approach to collaboration.

Operator size

We consider that the nature of an operator's services (for example, whether they are mainly within one particular route, or span multiple routes) and its size will influence the nature and scale of collaboration.

A 'deep alliance' or regional partnership may be preferred by franchised passenger train operators, whose services are mainly contained within one particular route. Such arrangements allow the relevant operator to work closely with Network Rail on the day-to-day running of that part of the network and ensure that actions are aligned, ultimately, to customers' needs.

Conversely, smaller framework alliances or joint projects may be more suited to smaller or cross route operators (e.g. open access and freight operators) given their interactions with multiple Network Rail routes, the size of their operations and potentially the limited availability of resources to form a 'deep' alliance with Network Rail.

Regulatory framework

The regulatory framework will play an important role in influencing the type of collaborative working arrangements in CP6. We consider that it needs to support a more flexible and non-prescriptive approach to collaborative working in CP6. This will allow Network Rail and train operators to decide on the best approach to collaboration in CP6 without it being specified through a formal and potentially stifling mechanism. As discussed in our response to question 1, we consider that the continuation of a default sharing mechanism would be likely to hinder the nature and scale of collaboration we develop with passenger and freight train operators in CP6. This view is based on our experience of REBS during CP5 and the limitations of a 'one size fits all' approach. We believe that the majority of operators agree with this view.

Our response to question 5, below, considers ORR's role in facilitating an industry-led approach.

Culture

We consider that successful joint working arrangements rely on relationships that are built on trust and mutual goals. Building these relationships may take time and are likely to depend on a shared vision across both organisations. We consider that the changes proposed in DfT's rail strategy (in the case of franchised passenger operators) and more generally, Network Rail's devolution, the implementation of customer-agreed CP6 scorecards and the introduction of Route Supervisory Boards will support the further development of a positive joint working culture between train operators and Network Rail. Conversely we believe that REBS has, on occasions, soured relations between Network Rail and train operators because of its opaque nature.

Q5: What actions/commitments should be made by organisations across industry (including ORR and governments) to address these factors?

Franchise specifiers

Franchise specifiers have an important role to play in supporting collaboration. We have previously stressed the need for alignment of the targets set out in franchise agreements and Network Rail's targets. We also consider that it would be helpful for franchise specifiers to seek commitments to joint working from potential franchisees during the bidding process.

We welcome, therefore, DfT's recently published rail strategy, 'Connecting people: a strategic vision for rail', which includes an aim to improve collaboration between Network Rail and franchised train operators. This strategy sets out changes which are focused on ending the operational divide between track and train and focused on a 'one-team' working culture. This is consistent with and supports our own plans to transform the railway.

Changes to franchise specifications that are proposed in DfT's rail strategy include the requirement for joint teams of Network Rail and train operator staff, the potential for longer term franchise contracts (up to 15 years) and Network Rail teams taking a larger role during the pre-submission phase of franchise competitions to discuss and develop with bidders proposals for implementing one-team working. The latter builds on our new way of working underway with DfT where our people are embedded into franchise competition teams to help bring track and train closer together at the specification stage. We consider that these changes will be instrumental in facilitating collaboration between Network Rail and train operators, particularly since they will be tailored to the individual characteristics of the relevant franchise and route.

It will be important that non-franchised passenger and freight operators are not disadvantaged by these changes. In the case of the upcoming East Coast refranchise, we note the importance placed in DfT's strategy on the Route Supervisory Board (RSB) to provide a forum for all operators on the route to have a voice. We discuss the role of RSBs more generally in our response to question 6, below.

ORR

Our devolved route businesses, the introduction of jointly-agreed CP6 scorecards and independently chaired RSBs will support DfT's plan to bring track and train together, and facilitate the alignment of incentives. It is important that the regulatory framework supports these changes in CP6, as well as the development of joint working arrangements with non-franchised passenger and freight train operators.

Guidance

We note that ORR's working paper discusses some ways in which it could support greater collaboration in CP6. We welcome ORR's proposal to develop guidance to support the industry in leading the design and implementation of collaborative working arrangements. We consider that such guidance should be focused on ORR's expectations on how joint working arrangements should work on multi-operator routes, to address any potential concerns of undue discrimination (particularly in light of the recently announced changes to the franchising process as discussed, above). However, the guidance should not be prescriptive about the nature and scale of collaboration, to allow the industry flexibility to explore different ways of joint working.

We look forward to working closely with ORR and industry colleagues on the development of guidance to support collaborative working arrangements, over the coming months.

Monitoring collaboration

We note ORR's consideration of whether it could support an industry-led approach by monitoring the nature and scale of collaboration on the network and monitoring / holding Network Rail to account against the commitments it makes to support collaboration. We consider that this is closely linked to monitoring stakeholder engagement more generally in CP6 which we discuss, below.

Working with our stakeholders, we are currently developing an updated Stakeholder Relations Code of Practice (SRCOP). This code will set out our principles of engagement, together with key procedures that are important for the purposes of stakeholder engagement. We consider that these principles will be equally relevant to our engagement with operators regarding collaborative working in CP6 and beyond.

We have proposed that Network Rail's central team undertakes reviews and assures the quality of stakeholder engagement during CP6, which would include any engagement focused on collaboration. We recognise that ORR may also want to carry out its own reviews on the quality of stakeholder engagement and would welcome further discussions with ORR about its proposals in this area.

Q6: How should Route Supervisory Boards be used to facilitate collaboration? How will this change on multiple user routes?

The new Route Supervisory Boards (RSBs) bring track, train and customers together to deliver an improved service for passengers and end users. Through a 'one railway' approach they will deliver better and more railway improvements. The boards see senior representatives from Network Rail, the relevant train and freight operating companies, Transport Focus, regional and local economies working together for the benefit of passengers and local economies.

RSBs do have a role to play in supporting collaboration on the network. RSBs facilitate conversations between Network Rail and train operators and help determine the strategic direction of the route. The focus of each RSB will depend on the circumstances of the area to which they relate (which could be based on a specific franchise area or geographic route, for example).

A key part of RSBs is reviewing Network Rail performance against the jointly agreed scorecards. This should support the implementation of joint working arrangements between train and freight operators and Network Rail in CP6, as it will ensure we are all working towards very clear, aligned goals.

ANNEX 1: EXAMPLES OF JOINT WORKING ARRANGEMENTS BETWEEN NETWORK RAIL ROUTES AND TRAIN OPERATORS – CONFIDENTIAL

Introduction

The purpose of this annex is to provide examples of smaller, bespoke joint working arrangements between Network Rail Routes and passenger and freight operators in CP5. It is purposefully high-level, although should highlight the wide range of joint working arrangements that are in place with passenger and freight operators across the network.

Table 1: Examples of joint working arrangements between Network Rail routes and passenger and freight operators

Route	Operator	Area	Description
Anglia	Greater Anglia	TOC franchised station upgrades	Anglia route Delivery Unit staff carry out work at franchised stations on behalf of the Station Facility Owner, which is cheaper than using an external contractor. This results in effective use of resources (when Delivery Unit staff are not deployed elsewhere) and is an extra source of income for the Anglia route.
Anglia	Greater Anglia	Performance: reopening lines following fatalities	Both Anglia route and Greater Anglia staff are trained such that they can both respond to fatalities on the network (depending on proximity to incident) as quickly as possible. This allows for unaffected lines to be reopened as soon as possible. In some cases this has resulted in a reduction in response times to 15 minutes, reducing the overall impact of an incident to passengers, freight users and the Schedule 8 impact.
LNE	Virgin Trains East Coast	Operational: development of joint priorities for LNE and VTEC	Examples of two key joint priorities are safety and performance. VTEC and LNE have worked together closely to mitigate safety and performance risks (e.g. through increased use of CCTV and the close call facility). This has improved overall safety and performance on the network.
LNE	Northern	Behavioural: development of a code of conduct for the Network Rail / Northern Trains alliance	The code of conduct will support the alliance and will be followed by its members and groups that meet under the umbrella of the alliance. The code of conduct sets out the principles of collaborative working which include engaging proactively and respecting each other's opinions; seeking to understand the objectives of all parties and supporting each other to achieve them; sharing expertise to effectively manage and mitigate risk; collaboration resolve potential difficulties and overcome barriers; embracing change and innovation; and challenging unacceptable behaviour.

Route	Operator	Area	Description
LNW	Merseyrail	Project delivery: part closure of a section of track of the underground for enhancement / renewals work	The relevant section of track was closed for six months and required Network Rail to work closely with Merseyrail, Merseytravel and Liverpool City Region to minimise the impact of the project on passengers. This involved working closely on marketing initiatives, day-to-day operations and work activity phasing (i.e. accounting for major events when planning the possession timetable). Feedback from Merseyrail and Merseytravel was that they were supportive of this approach and that it should be seen as best practice for future large schemes.
LNW	Merseyrail	Project delivery: improvement of property maintenance, renewals and enhancement schemes	Joint Network Rail and Merseyrail teams identified individuals who would be best placed to deliver specific pieces of work to support the efficient delivery of property projects. While this joint working arrangement has been implemented only recently, the progress of the schemes is being reviewed by the Network Rail/Merseyrail Alliance Board with positive feedback to-date.
LNW	Merseyrail	Project delivery: sharing the delivery of projects with Merseyrail	As part of an alliancing project, Network Rail and Merseyrail have been working collaboratively to deliver an efficient work programme (for minor emerging work) to deliver cost savings. The project involves weekly meetings to review the work bank and discuss with Merseyrail who is best placed to deliver small, low value work which should bring benefits to customers and reduce health and safety risks. Whilst the alliancing project is at an early stage of development, initial benefits include the faster delivery of smaller, safety critical schemes.
LNW	Virgin Trains West Coast (VTWC)	Research and Development: development of the 'bump box' looking for infrastructure weakness	LNW and VTWC have joint-funded a project to develop 'bump boxes' which are fitted to trains and look for infrastructure weaknesses on the network. In Autumn 2017, one train was fitted with a development box, the purpose of which was to collect data to support the supplier further developing the design of these boxes. Network Rail has funded the construction of eight 'bump boxes' which will be fitted permanently to VTWC's trains. VTWC has approved the designs and components of the 'bump boxes'. The use of 'bump boxes' has improved Network Rail's and Virgin VTWC's understanding of ride quality issues previously experienced by passengers and informed LNW's maintenance activities by identifying sites that were repeat bump sites. In turn, it has reduced rough ride incidents, with a significant reduction in associated Schedule 8 payments.
LNW	VTWC	Research and Development: weaknesses in OLE	Network Rail and VTWC have worked closely to develop the 'Instrumented Pan' which is fitted on VTWC's trains and provides early identification of OLE faults, before they materialise. While at a relatively early stage of development, the introduction of the 'instrumented pan' should reduce the number of OLE incidents.
LNW	VTWC	Personnel: jointly funded employee	This newly created and joint-funded post will work for both Network Rail and VTWC, focusing on areas including landlord consent approvals and PPM assurance on stations and minor works scheduling.

Route	Operator	Area	Description
LNW	Chiltern	Project delivery: efficiency	Network Rail and Chiltern worked collaboratively to mitigate the cost impact of the lengthening of the programme due to identification of significant additional asbestos during the detailed design stage of the project, and the return of high value tender estimates by contractors. This cost mitigation was achieved by adopting a value engineering mindset and returning to the basics of Systems Engineering by reviewing the core operational requirements. This collaborative approach produced seven options to mitigate the additional costs and deliver the project on budget.
Scotland	ScotRail	Joint project delivery: major tunnel blockades	The joint delivery of the Winchburgh and Queen Street tunnel blockades involved collaborative working with the Network Rail IP teams, clear and extensive 'one voice' stakeholder and customer messaging, integrated infrastructure maintenance, integrated fleeting plans to enable the interim timetables, joint working to mobilise the staffing plans, customer management plans and rolling stock compatibility plans. Both blockades were delivered successfully.
Scotland	ScotRail	Alignment of plans and enhancements: 'Key Output' map	The 'Key Output' map shows the dependencies between major infrastructure enhancements, new rolling stock introduction, timetable changes and fleet cascades. Its introduction has improved the strategic decision making on enhancement and fleet projects significantly. Examples include the early involvement of third party contractors in the GRIP process.
South East	GTR / Southeastern	Operational: joint controls	GTR and the South East Route are working together to reduce the delay per incident by implementing rigorous processes and service recovery guidelines alongside joint controls at the ROC. The aim is to minimise the duration of an incident and in turn, provide an improved service to passengers.
South East	GTR	Operational: reducing dispatch times	GTR and South East route are joint funding a project to reduce the dispatch time at East Croydon Station (i.e. the time it takes for a train to depart a station). This involves hiring additional staff to assist in the management of the station and ensure that passengers alight the train quickly and in a safe manner. This should reduce the overall time a train is stopped at a station and in turn, should improve overall customer experiences and reduce the Schedule 8 impact.
South East	Southeastern	South East Partnership	Southeastern and the South East route have created the Southeastern partnership which is underpinned by five jointly agreed objectives (safety, passenger experience, performance, culture and finance), a number of joint goals (including delivering our performance commitment of 90.0% ppm) and principles which will support the close working relationship. The partnership recognises that we can achieve much more by working together effectively than we can do on our own and creates very clear, aligned goals which should support the close working arrangement in place.
Wales	Arriva Trains Wales (ATW)	Performance improvement: general	Improvements are facilitated by the Operations Governance Board which is attended by ATW and NR staff from the route's operational, safety and customer teams. Its purpose is to discuss and agree the Wales route's operational governance strategies and joint objectives. There has been a direct improvement of PPM, CASL, delay minutes and delay per incident across the Wales route.

Route	Operator	Area	Description
Wales	ATW	Joint communication: general	Facilitated by the Joint Communications Board, attendees from ATW, the Welsh Government and the Wales route customer and communications teams aim to deliver informative, open, joined-up and timely messages to passengers, through joint channels.
Wales	ATW	Enhancements: franchised station estate	Facilitated by the Joint Property Board, attendees from ATW and staff from the Wales route's finance, property, customer and asset management teams discuss and identify opportunities to maximise station, depot and land estate. In particular, this ensures that any issues are unblocked in a timely manner, through a clear programme of project delivery.
Wessex	South Western Railway (SWR)	Alignment of targets: Alliance Agreement with SWR	The Alliance Agreement is the key framework for Network Rail's Wessex route and South Western Railway to work collaboratively. The Alliance Agreement sets out the aims and outcomes of the alliance in terms of working together to improve CaSL, PPM, safety, efficiency (among others) and to deliver each other's business objectives.
Wessex	SWT	Possessions: greater engineering access	The previous franchisee, South West Trains, agreed to cancel trains in the evening over a period of several weeks for the high output campaign (using the high output machines to deliver track renewals). This provided a greater possession length for Network Rail to use high output machines, significantly increasing possession efficiency.
Wessex	SWR / SWT	Joint communication: August 2017 Waterloo upgrade	A joint communications team comprising Network Rail, SWT and SWR, alongside a Waterloo capacity programme meeting framework that all parties were invited to, was set up to ensure that a joined-up approach was taken to communicate with passengers and other stakeholders about the major upgrade work.
Western	Great Western Railway (GWR)	Operational: integrated route control	As part of the Western Alliance, integrated control is in place. All staff are co-located in Network Rail offices and a joint conference takes place daily to review performance. The management of delay attribution and Schedule 8 is undertaken jointly. This results in coordinated action to address shared issues as well as providing greater transparency, and creating a culture of accountability across both businesses.
Western	GWR	Joint communication: general	As part of the Western Alliance (and prior to this arrangement), Network Rail and GWR have worked on joint communications around disruption, the railway upgrade programme, discussions with key stakeholders (e.g. MPs) and other railway issues. These have focused on highlighting to the travelling public, stakeholders and staff the benefits of rail investment and the new trains/infrastructure upgrade. By working together we maximise our investment in communications by coordinating activities and avoiding duplication, as well as sharing ideas.
FNPO	CrossCountry	Operational: joint performance improvement plans	Four different teams comprising Network Rail and CrossCountry staff have analysed performance to identify trends of delay. This analysis has supported and informed decisions on how to improve overall performance, for example changes to the timetable. While only recently implemented, it is expected to reduce reactionary delay, primary delay and specification (plan) delay.

Route	Operator	Area	Description
FNPO	CrossCountry	Operational: site visits to areas of poor performance	Network Rail and CrossCountry staff visit areas on the network which are often susceptible to poor performance. This involves speaking to train drivers to hear about their experiences. Staff may also join a driver on the train to experience the challenges on that part of the network, first-hand. This approach supports open conversations between Network Rail and CrossCountry on performance challenges and has resulted in improved performance at the areas that have been visited.
FNPO	CrossCountry	Operational: jointly funded roles	Network Rail and CrossCountry have jointly funded and recruited specific roles within the CrossCountry performance team. These individuals focus on the day-to-day running of operations and work closely with staff in ROCs to re-route trains, to minimise overall industry delay. This has resulted in evidence of improved performance, including a reduction in CrossCountry's PPM failures.
FNPO	FOCs	Commercial / Operational: Worcester Freight Terminal	Network Rail has jointly worked with FOCs to develop a freight terminal for the construction sector. This joint working arrangement included the negotiation of lease arrangements, loading/unloading arrangements, and the selection of a contractor (Network Rail Work delivery). The construction of the terminal will support new business for freight customers, freight operators and Network Rail.
FNPO	FOCs	Operational /future growth: Service Plan Review process	Network Rail and Freight Operators have worked together to trial heavier and/or longer freight trains under test conditions. This will identify if performance and asset reliability on the network can be maintained, should these freight trains operate on the network in the future. The review will also assess whether route length / weight limits can be increased to support these trains, which would ultimately benefit freight customers, freight operators and Network Rail.
FNPO	Freightliner	Safety: lost time incident (LTI) and hazard reporting	Freight operators' employees, including train drivers and shunters, spend time on the network when accessing trains and working in network yards and sidings. Understanding and reducing customer LTIs through improved hazard reporting is a particular focus of the FNPO team. Freightliner and Network Rail have been trialing new arrangements to support the reporting of hazards. The aim of this is to improve the safety of Freightliner employees when operating on Network Rail managed infrastructure. All accidents involving a freight operator employee are reported to both the Freight Company Control and Network Rail Control. The details of the incident and any hazards that may have been a factor in the accident will be included in report. Network Rail staff will then investigate the site and review the conditions at the earliest opportunity.
FNPO	FOCs	Capacity	We have worked with Freight Operators to identify freight paths that are no longer required following the changes in freight traffic, and have removed these from the timetable. We have retained freight paths that whilst currently are not in use, have the potential to support future freight traffic growth and therefore have been retained as Strategic Capacity. Under this workstream, over 50% of freight paths have been removed from the working timetable.



Paul Cornick
ORR
One Kemble Street,
London,
WC2B 4AN

Date: 15th December 2017

Dear Paul,

PR18 working paper: Collaborative working on the rail network

Thank you for the opportunity to respond to the above working paper. Nexus leads on behalf of the North East Combined Authority (NECA) on Heavy Rail matters through the North East Rail Management Unit (NERMU). The Unit also includes the representatives of the Tees Valley Combined Authority.

NECA welcome the suggested approach to 'a more industry led model of collaboration, with engagement facilitated through a portfolio of bespoke and flexible mechanisms developed and implemented by participants'.

NECA through its membership of Rail North (soon to be part of Transport for the North) would seek for this collaboration to extend more formally to local authorities bodies, whom have focussed local and regional economic interests in the success of rail for passengers and freight.

In the North East, we operate the North East Rail Management Unit as a regional business unit of Rail North. Through this forum we have fostered good working relationships with Network Rail (operations and planning), Northern Rail and TransPennine Express through franchise obligations.

Although not enshrined in any formal agreement, this collaboration has shown examples of improved outcomes through collective knowledge and experience. One example is the Performance Conference held by Northern with their North East staff, Network Rail local management and NERMU representatives. Looking at line of route performance improvements, this forum has produced some quick wins as well as identifying areas for more substantive work required to bring about the required improvement. Indeed a long standing

temporary speed restriction was able to be lifted by the end of the first conference!

NECA also welcome the move to align track and train and supports the formation of the Route Supervisory Boards but again would seek to have representation on such boards to ensure local economic planning is aligned and benefits are accounted for and maximised where possible. There is also some concern over the place of local rail lines in route supervisory boards and a fear that the mainlines in the route will receive the bulk of the attention and investment whereas local connectivity to economic centres is also a vital part of the development plans for regional economies.

Turning to the specific questions posed in the working paper NECA responses are provided below:

Collaborative working in CP5

1. Do you have any further comments on REBS (in particular do you consider there to be strong arguments for the retention of REBS)?

NECA does not have any further comments but supports the move away from REBS to the more bespoke collaborative approach based on revised industry structural changes including the emergence of TfN as a Sub-national Transport Body with sub regional membership reach.

2. What Network Rail / operator collaborative working arrangements have you been involved in over the last control period? In what areas do you think collaboration can be further developed? What types of collaboration are likely to have the most material impact on network efficiency?

Following the letting of the Northern and TPE franchises, as part of Rail North, the North East set up NERMU (North East Rail Management Unit). This is a collaborative forum that meets monthly but alternates each month between a performance focus and a planning focus. This forum includes the two TOC's covered by the franchises but also the other TOC's operating through the North East (Grand Central, Virgin East Coast and Cross Country).

There are numerous small examples where improvements to service planning, enhancement delivery and disruption management have led to improved outcomes. This type of collaboration, whilst not backed by any

formal mechanisms has proved an effective means of playing to the strengths of each party.

Another example of collaboration is through the development stages of the East Coast Route Study. Early engagement by Network Rail of both TOC's and Local Authority rail officers has led to a sense of joint approach and also facilitated better understanding of the various aspects local and industry constraints and opportunities.

The main area for greater industry collaboration for NECA is on the development and delivery of the local authority promoted improvements. Examples of this are attached in the response NECA gave to the Handsford Review.

Regarding impact on efficiency, again this covers a number of areas from infrastructure planning, design and delivery (both enhancements and renewals) to managing incidents and recovery. For each of these differing collaborations will produce better outcomes and the Routes / TOC's and local authorities can all play their part. Thus there is likely to develop over time a suite of examples of best practice across the industry and part of the ORR role could be to capture these and disseminate across the whole industry.

Collaborative working in CP6

3. Which of the two options to support collaborative working outlined in this paper (i.e. an 'improved REBS-style mechanism' or an 'industry led approach' do you consider will be most effective in supporting collaboration on the network? Please provide examples of the collaborative working you think will likely be affected.

NECA considers that the industry led approach will be most effective as it can put in place arrangements that suit particular outcomes trying to be achieved. Collaborative working can and should cut across many of the activities engaged in keeping the railways running as well as planning for future growth by improving efficiency and effectiveness of delivering beneficial outcomes.

Facilitating an industry led approach

4. What factors do you consider will be important in influencing the nature and scale of collaborative working achieved through an industry-led approach.

Trust, openness and common objectives / benefits are the main factors that lead to the best collaborations. Thus for each aim that is seeking to be achieved it would be beneficial to map out the parties to be part of the collaboration (to achieve the aim) and what each will gain and thus what each will bring to the collaboration put in place to meet the aim. Thus it is common to have an overarching collaboration (eg route supervisory board) but then supported by bespoke mini collaborations for each outcome trying to be achieved. It is important to set the parameters specific to that outcome so the most efficient use of the skills and resources are made.

5. What actions / commitments should be made by organisations across industry (including ORR and Government) to address these factors.

As stated above it is key that any collaboration has a set of shared goals and a clear view on the future direction of the industry is key to all players playing their part. Thus it is for all parties to agree the overall direction of travel for the industry, articulated through, Government Rail Strategy, Sub-national Transport Bodies long term rail strategy, Network Rail's Route Business Plans, TOC's Franchise Deliver Plans and overall funding approvals. Transparency of this business planning and funding approvals is essential so that each party has the opportunity to buy into the outcomes being set.

Also the Government and sub national transport bodies have a role through Franchise specification. The proposal for new Franchise Partnerships will offer the opportunity to have a more transparent and collective ownership of the franchise agreements where capacity planning for both services and track can be better aligned.

6. How should Route Supervisory Boards be used to facilitate collaboration? How will this change on multiple user routes?

NECA considers that an inclusive (i.e. including regional transport bodies) Route Supervisory Board would play a key role and indeed should be the overarching collaborative forum. The Route Supervisory board should set and agree the outcomes it needs to achieve and then set up a series of bespoke collaborative working arrangements to deliver the outcomes.

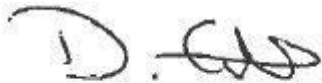
The Supervisory Board could then monitor the successes or otherwise of the collaborations and act as an arbiter to resolve any difficulties or disputes.

On multi user routes (Freight) it is important to have a representative on the respective Route Boards and indeed this could be one of the outcomes for which a bespoke arrangements is required which may require a collaboration across two or more route geographies.

Thank you for your consideration of these comments and hope you find them useful.

Should you require any further information, please do not hesitate to contact me.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'D. Gittins', with a stylized flourish at the end.

Derek Gittins - Head of Heavy Rail

Rail Delivery Group

Response to

**ORR's Working paper 7: Collaborative working
on the rail network**

Date: 25 January 2018

Rail Delivery Group response to ORR's Working paper 7: Collaborative working on the rail network

Organisation: Rail Delivery Group

Address: 200 Aldersgate Street, London EC1A 4HD

Business representative organisation

Introduction: The Rail Delivery Group (RDG) was established in May 2011. It brings together Network Rail and passenger and freight train operating companies to lead and enable improvements in the railway. The purpose of the RDG is to enable Network Rail and passenger and freight train operating companies to succeed by delivering better services for their customers. Ultimately this benefits taxpayers and the economy. We aim to meet the needs of:

- Our Members, by enabling them to deliver better outcomes for customers and the country;
- Government and regulators, by developing strategy, informing policy and confronting difficult decisions on choices, and
- Rail and non-rail users, by improving customer experience and building public trust

For enquiries regarding this consultation response, please contact:

Tom Wood.

Rail Delivery Group

2nd Floor, 200 Aldersgate Street

London EC1A 4HD

1. This document outlines the key points from our members in response to the ORR's consultation on *Working paper 7: Collaborative working on the rail network*. We are content for this response to be published on the ORR website.

Collaborative working in CP5

Q1. Do you have any further comments on REBS (in particular do you consider there to be strong arguments for the retention of REBS)?

2. There is widespread industry agreement that REBS does not create the right incentives for improved industry collaboration and for efficiency improvements.
3. One problem with REBS is the baseline being fixed for the entire control period. Consequently, the REBS baselines are not aligned to Network Rail's business plans and this has created unnecessary complexity and constrained the overall effectiveness of REBS
4. Another problem is the scope of REBS. Operators have expressed concerns that they have limited influence over the items of Network Rail's income and expenditure included within the REBS scheme.

Q2. What Network Rail/operator collaborative working arrangements have you been involved in over the last control period? In what areas do you consider collaboration can be further developed? What types of collaboration are likely to have the most material impact on network efficiency?

5. The most effective collaboration has been where parties have worked together at a local level on a project-specific basis. This has been discussed at several RDG PR18 meetings and there is clear support for this across the industry.
6. For example, this has happened when discussing access arrangements for projects, sharing facilities such as joint control centres, and sharing resources such as dispatch staff at stations.

Collaborative working in CP6

Q3. Which of the two options to support collaborative working outlined in this paper (i.e. an 'improved REBS-style mechanism' or an 'industry-led approach') do you consider will be most effective in supporting collaboration on the network? Please provide examples of the collaborative working you think will likely be affected.

7. We do not believe an improved REBS-style mechanism should be adopted for CP6 and favour an industry-led approach.
8. We suggest that these should be bespoke arrangements, rather than a prescribed template for all. In our view, it should be for individual operators and Network Rail Routes to agree local arrangements on a project-specific basis. This recognises the varying needs and priorities of each route and train operator. This type of industry-led approach would allow sufficient flexibility to develop joint working arrangements between Network Rail and train operators that are tailored to customer needs.
9. Route devolution will help get better Route/TOC/FOC engagement at a local level and help to produce better plans with greater levels of transparency and understanding across the industry. Through better TOC/FOC input, those plans should be better informed by customer needs.

Facilitating an industry-led approach:

Q4. What factors do you consider will be important in influencing the nature and scale of collaborative working achieved through an industry-led approach?

10. The strength of incentives to engage in collaborative working will depend upon the extent to which operators and Network Rail have shared aims. Misaligned targets have created inconsistencies in what train operators and Network Rail are expected to deliver. This is a key obstacle to collaboration, as it means that parties can be working towards different goals.
11. It is important that the regulatory framework does not prescribe the approach to collaborative working in CP6 and instead allows the industry sufficient flexibility decide on the best approach.
12. Successful joint working arrangements rely on relationships that are built on trust and mutual goals. Building these relationships may take time and are likely to depend on a shared vision across operators and Network Rail. The development of a culture that supports a close working relationship is consistent with the DfT's strategic vision for rail and the devolution of Network Rail.

Q5. What actions/commitments should be made by organisations across industry (including ORR and governments) to address these factors?

13. An important part of closer working is ensuring that the industry is working to clear aligned goals. This should be supported by governments and franchise authorities through the franchising process, as is starting to happen with the DfT proposals for more integrated working, as set out in its strategic vision for rail.
14. We believe it is important that there is some appropriately targeted guidance from ORR. In particular, this guidance should set out its expectations on how joint working arrangements should work on multi-operator routes in order to address potential concerns of discrimination. ORR's role should then focus on monitoring the effectiveness of stakeholder engagement, rather than the benefits arising from collaboration, which would be difficult to measure.
15. The ORR's consultation makes reference to the impact of Network Rail's obligations with respect to managing public money. In our view, it is important that Network Rail is given sufficient flexibility to agree collaborative working arrangements with operators which involve benefit-sharing arrangements, where it can be demonstrated that these represent a good use of public money. However, as the ORR identifies, financial payments are not the only way to incentivise collaboration and the prospect of increased outputs could also be a strong incentive for operators and Network Rail to work together more closely.

Q6. How should Route Supervisory Boards be used to facilitate collaboration? How will this change on multiple user routes?

16. The roles of Route Supervisory Boards are still developing. Nevertheless, what is important is that the right framework and incentives are in place to support Network Rail's transformation and devolution to its Routes. This will help to enable local efficiency plans to be developed with operators in a more coordinated and effective way, balancing the needs of passengers and freight users (through a strong TOC/FOC voice) with the need to maintain and renew the network in as efficient a way as possible.



February 2018

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ORR PR18 WORKING PAPER: COLLABORATIVE WORKING ON THE RAIL NETWORK

1. INTRODUCTION

1.1 This letter constitutes the response from the Railway Industry Association (RIA) to the above Working Paper published on 30 November 2017.

2. BACKGROUND TO RIA

2.1 RIA is the trade association for UK-based suppliers to the UK and world-wide railways. It has some 200 companies in membership and the sector employs 240,000 people and contributes annually £11 billion Gross Value Added (GVA). It is also a growing industry with the number of rail journeys expected to double over the next 25 years and freight set to grow significantly too. RIA's membership is active across the whole of railway supply, covering a diverse range of products and services and including both multi-national companies and SMEs (60% by number). RIA works to promote the importance of the rail system to UK plc, to help export UK expertise around the globe and to share best practice and innovation across the industry.

2.2 RIA provides its members with extensive services, including:

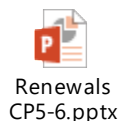
- Representation of the supply industry's interests to Government, Network Rail (NR), TfL, HS2, ORR and other key stakeholders
- Providing opportunities for dialogue and networking between members, including a number of Special Interest Groups
- Supply chain improvement initiatives
- Provision of technical, commercial and political information every week
- Export promotional activity, through briefings, visits overseas, hosting inwards visits
- Organising UK presence at exhibitions overseas.

Executive Summary

- **The working paper views collaboration as being between TOCs and Network Rail only and makes no recognition of the importance of the supply chain in this debate. Failing to fully engage with the supply chain, we believe, jeopardises the ability to efficiently deliver Network Rail's Strategic Business Plans at both Corporate and Route level.**
- **We would therefore suggest the inclusion of a commitment by NR on supplier engagement.**

3. COLLABORATIVE WORKING

- 3.1 We note that, according to our search, the words ‘supply chain’ and ‘suppliers’ are not mentioned in the document. We have raised in previous responses, the apparent lack of recognition of the supply chain in the PR18 process.
- 3.2 The working paper focuses, in our view too narrowly, on collaborative working between Network Rail (NR) and train operators. This overlooks the significant role the rail supply industry plays, and can play, in delivering collaboration - thus a vital piece of the jigsaw is missing. Ignoring the supply chain risks could therefore compromise the opportunities for NR to improve efficiency and performance during CP6. Indeed, the omission of the supply chain in the suggested approach to collaboration is at odds with the guidance issued by ORR in February 2017 on the production of NR’s Strategic Business Plans (SBPs). This highlights the importance of stakeholders in the process and ORR’s expectations regarding engagement between Routes and stakeholders, including the rail supply chain; there is a requirement for the SBPs to demonstrate evidence of stakeholder input. Furthermore, the SBPs should also include a Supply Chain strategy to help manage (financial) performance. These underpinning elements should be carried through to the ORR’s approach to/ emerging thinking on collaborative working on the rail network.
- 3.3 At a minimum, we would suggest the inclusion of a commitment by NR on supplier engagement; this would recognise both the Government’s objective of bringing track and train together and NR’s Route devolution. While we support the use of Scorecards in CP6, and that the measures need to be balanced to allow NR adequate flexibility, we believe consideration should be given to devising a process for each Route to measure the effectiveness of its engagement with the supply chain, e.g. in terms of overall communication; improved asset knowledge – particularly with reference to underground services, and also with respect to actual versus estimated spend – particularly in respect of renewals. We have seen in the past the problems with the peaks and troughs in renewals expenditure across Control Periods – the two slides embedded below provide examples of this.



- 3.4 As we made clear at the ORR Efficiency Seminar on 19 September 2017, and our response to the Renewals Efficiency Consultation of 13 September 2017, this leads to increased costs, and a disincentive to invest in people, products, and process.
- 3.5 We would absolutely stress the importance of early-stage development of projects being critical to their success. In many other responses and forums, RIA has repeatedly called for early contractor involvement to ensure projects are at an appropriate level of maturity before commitments are made.

4. ALLIANCES

- 4.1 Alliances can also be an effective approach as far as NR and suppliers are concerned, not just between NR and operators. A supply chain strategy is critical to this. Alliancing allows the collective sharing of risks; can provide a smoother work pipeline and more certainty over project costs; can provide more opportunities for innovation; and can improve delivery performance. In principle, alliance partners are committed to developing a culture that promotes and drives innovation and outstanding performance. Route devolution may mean

each route developing its own alliances, or some routes developing a joint approach where this make practical/ commercial sense.

5. ROUTE LEVEL EFFICIENCY BENEFIT SHARING (REBS)

- 5.1 RIA shares stakeholder concerns around whether a financial mechanism of this type can be effective in encouraging collaborative working. Financial incentives can result in unintended consequences; the real objective here is to influence behaviour which improves performance and efficiency – financial rewards have been shown not to work longer term, but rather to artificially drive short term behaviours in order to attain the reward. Financial rewards can undermine intrinsic motivation, i.e. when the motivation to engage in a behaviour arises from within the individual because they naturally enjoy it and do not see it as work. Intrinsic motivation is more likely to deliver results longer term.
- 5.2 As pointed out in section three, collaborative working needs to include the rail supply sector in order to improve efficiency and network performance. To re-iterate, rail supply businesses are also NR customers and contribute towards a successful railway.
- 5.3 As the working paper suggests, there may be value in aligning collaborative working arrangements with existing and emerging industry structures; for example, route devolution/ supervisory boards and alliances may offer systems and processes to support collaboration. Scorecards with the appropriate performance metrics can also support collaboration and should be a part of how ORR regulates NR. Using scorecards to compare/ benchmark performance across the Routes can promote learning and best/ better practice and can help build and enhance reputation. One of the scorecard metrics should cover engagement with suppliers, including on annual business plans, and other behaviours which encourage transparency and information sharing.

6. ORR SUGGESTED NEW APPROACH TO COLLABORATION

- 6.1 RIA shares ORR's view that its (ORR's) suggested approach should focus on supporting industry-led activity (with a focus on ways to address barriers to collaboration that might exist in the CP6 framework); monitoring to ensure best practice is shared across the network; and generally ensuring conduct is consistent with ORR's wider regulatory approach.
- 6.2 In respect of ORR producing targeted guidance specific to any identified barriers to effective collaboration, this could be helpful depending on the issue at hand; it is worth ORR bearing in mind that industry may already have its own guidance. A principle of any guidance issued should be that adopting it will deliver an improved business and/ or operational outcome.
- 6.3 RIA agrees with the ORR there is a need for NR to consider what processes and commitments it might need to make to address issues limiting the ability of organisations to identify and deliver efficiency savings. NR business and delivery plans are relevant here. Furthermore, NR planning would benefit from taking a similar approach to the businesses in the supply chain, many of which produce long term business plans that include a strategic view of investment, projects and pipeline. Such an approach by NR would also support innovation.
- 6.4 From a supply chain perspective, NR's ability to develop a long term strategic investment programme can be enabled by NR entering into long term collaborative partnerships with its strategic suppliers, compared to the current framework agreements, to provide greater certainty over future work banks. The supply chain would be better able to deliver significant efficiencies if suppliers were able to enter into long term collaborative relationships with NR Routes, facilitated by NR Infrastructure Projects. The performance of these relationships would

be carefully measured and good performance would allow for them to be extended from one Control Period into the next. This would help deliver a smooth pipeline of work rather than the 'boom and bust' rail supply businesses have experienced under the current Control Period funding structure; whereby there has been a drop in work towards the end of one Control Period followed by a ramping up of work at the start of the next. This is an inefficient way of working and can add up to 30% to costs.

- 6.5 In respect of one organisation challenging another on the way they are delivering, RIA has joined forces with Network Rail to examine how the industry can modernise standards to ensure they allow for innovation and greater cost efficiencies in the supply chain. This work builds on one of the key focuses on the Hansford Review into contestability in rail¹. NR want to enable suppliers to proactively challenge standards that are considered to drive increased cost without comparable benefit, with particular focus on the early project design stages. Currently, standards are being updated using a risk-based approach with over 200 standards reviewed and updated to date, and a further 190 standards to be updated by March 2018. Network Rail is keen to seek supplier involvement in the process and to explore and evaluate incentives for encouraging change. This has been welcomed by RIA who have facilitated industry engagement with NR to design the standards challenge process.
- 6.6 In a similar vein, RIA established, in early 2017, a Renewals Unit Cost Working Group, as it had become clear towards the end of 2016 that there was a significant issue around CP5 renewals efficiency and unit costs. The group, chaired by RIA, includes representatives from NR, ORR and supply chain companies. Its work has identified the four main cost drivers:
- I) Restricted network access
 - II) Workload instability/ scope creep
 - III) Blurring between Enhancements and Renewals
 - IV) Changes in Standards during CP5.
- 6.7 The Renewals Unit Cost Working Group will be exploring these four areas in more detail during 2018 and RIA will be looking to expand the membership of the group to include representation from RDG in respect of the train operating companies and the Department for Transport.

Incentives

- 6.8 RIA believe there is merit in exploring alternatives to financial incentives for collaboration, in particular incentives for increased output. An example might be where rail supply businesses increase their delivery efficiency, e.g. on renewals; here the incentive would be the awarding of more contracts as NR would have greater delivery confidence, with the supplier receiving prior recognition of their improved output/ performance.
- 6.9 In respect of NR, we agree with the increased use of reputational incentives, such as supporting collaboration, both with regards to NR Routes, Infrastructure Projects and operators. As highlighted previously, engagement with the rail supply chain can help deliver successful collaboration, with a resulting positive impact on scorecard performance.

Monitoring collaboration

- 6.10 It is disappointing that the role of wider industry structures in monitoring and developing collaboration (page 13 of the working paper) fails to recognise the role of the rail supply chain/ rail supply businesses as fora for discussing best practice and identifying barriers to

¹ The Hansford Review was commissioned in 2017 with the remit of "Encouraging Third Party Investment and Infrastructure Delivery on the National Railway". See <https://thehansfordreview.co.uk/>

collaboration. As highlighted above in paras 6.5 and 6.6, RIA and its members are doing just this.

6.11 On the costs and benefits of the new approach, ORR should not overlook the cost of monitoring/ auditing REBS, and the cost to NR and operators of demonstrating collaboration. As ORR recognises, it is inherently difficult to measure the contribution of collaboration to efficiency savings, questioning the efficacy of REBS. As the working paper suggests, a move to an industry-led approach allows parties to agree up front the behaviours to be delivered, the efficiencies this will likely generate, and the appropriate value of an incentive to make collaboration mutually beneficial.

7. NEXT STEPS

7.1 RIA would be delighted to talk through with ORR any aspect of this response and how that might be reflected in the PR18 process going forward.

For more information, please contact RIA Policy Manager Damian Testa.

Paul Cornick,
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London
WC2B 4AN

31 January 2018

Dear Paul,

PR18 Working Paper: Collaborative working on the rail network

This letter sets out TfGM's response to the PR18 working paper on collaborative working on the rail network.

Collaborative working in CP5

1. Do you have any further comments on REBS (in particular, do you consider there to be strong arguments its retention)

No comment.

2. What Network Rail/operator collaborative working arrangements have you been involved in over the last control period? In what areas do you consider collaboration can be further developed? What types of collaboration are likely to have the most material impact on network efficiency?

During Control Period Five (5) TfGM has worked with Network Rail on the delivery of a number of infrastructure schemes across Greater Manchester. Collaboration over such infrastructure projects has proven challenging as Network Rail's structures can be overly complex, inflexible and opaque. In addition, processes encountered were overly bureaucratic and act as a significant barrier to third party investors on the rail network. Local Authority funding, unlike that provided by Commercial or Property developers, can be utilised to bring innovative or regenerative use of Railway Infrastructure. It is unfortunate, that the rail industry does not respond to these opportunities in a timely fashion. Irlam station, Salford Central station and the Irlam to Cadishead corridor conversion are good examples of truly regenerative local initiatives that have struggled to negotiate the current system, importing time and cost penalties.

Collaborative working in CP6

3. Which of the two options to support collaborative working outlined in this paper (i.e. an 'improved REBS-style mechanism' or an 'industry-led approach') do you consider will be most effective in supporting collaboration on the network? Please provide examples of the collaborative working you think will likely be affected.

We believe that an industry led approach would provide the greatest benefit. This is based on feedback received from other parties and stakeholders on the REBS mechanism's inability to add value at a route-level. We believe that any industry led approach which focuses on benefits, collaboration and efficiency for the delivery of enhancements would best serve passengers and incentivise those delivering programmes. There is clearly an appetite and the skills within the industry to support and deliver projects on Network Rail's infrastructure if a clear collaborative approach and incentive scheme can be created and a process defined whereby appropriate governance ensures safety on the network.

Facilitating an industry-led approach:

4. What factors do you consider will be important in influencing the nature and scale of collaborative working achieved through an industry-led approach?

The key to successfully delivering collaborative working is understanding which party is best placed to manage risk and which is best place to deliver efficiently. We recognise that in the case of protecting the rail infrastructure this is Network Rail, however, risk in delivery or driving efficiency is perhaps best placed with other industry partners. This model is highly dependent on Network Rail engaging all parties in the rail industry including key Infrastructure Managers (whom have the skills) to achieve change and drive efficiency. This will require flexibility by all parties and most of all from Network Rail as their current governance can frustrate industry in driving through change and delivering. As Network Rail are best placed to manage the risk to their infrastructure, this can be achieved by correct oversight. It is key that the ORR monitor the framework and ensure its adoption is delivered fairly across the industries in order to achieve the desired true collaborative model.

5. What actions/commitments should be made by organisations across industry (including ORR and governments) to address these factors?

The key commitment will be ensuring that this has high level senior management and ministerial backing to ensure that collaborative culture and behaviours are driven down through respective organisations. The ORR will be key in ensuring that these collaborations are conducted in a fair manner. At delivery level, closer

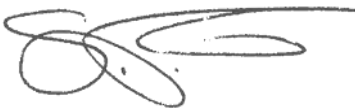
collaboration will need to ensure that risk and reward is shared fairly by all parties whether that be funder, Infrastructure Manager or franchising authority.

6: How should Route Supervisory Boards be used to facilitate collaboration? How will this change on multiple user routes?

As with any board, representative membership with clear senior buy in must be created to ensure the views and experience across the industry is heard. These boards must ensure that the governance of any collaboration is robust and should provide oversight for each party to ensure that no one party is able to frustrate the project / programme of works. The key is to ensure that any collaboration is conducted fairly and that a shared risk and reward ethos is embedded and genuinely embraced. This would of course be challenging for routes with multiple stakeholders, however, it is these complex scenarios where it is most critical that the governance is sound to ensure that business is conducted in a fair manner for all parties. The ORR could then act as the escalation point for this board.

Yours sincerely

pp

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Caroline Whittam
Rail Operations Manager



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Transport for London
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25th January 2018

Dear Paul,

PR18 Working Paper: Collaborative working on the rail network

This letter sets out TfL's responses to the questions raised in the ORR's consultation on collaborative working on the rail network. TfL is content for its responses to be published and shared with Third Parties.

Collaborative working in CP5

1: Do you have any further comments on REBS (in particular do you consider there to be strong arguments for the retention of REBS)?

TfL does not consider that there is a strong argument for the retention of the REBS mechanism as we do not believe that it adds any value. TfL has previously instructed its two National Rail concessionaires (Arriva Rail London and MTR Crossrail) not to participate in REBS. TfL sees no value in retaining the REBS mechanism.

2: What Network Rail/operator collaborative working arrangements have you been involved in over the last control period? In what areas do you consider collaboration can be further developed? What types of collaboration are likely to have the most material impact on network efficiency?

During Control Period Five (CP5) TfL has worked with Network Rail to deliver a major infrastructure upgrade to permit the operation of 5-car trains on the North, West and East London Lines. It has also worked with Network Rail on numerous smaller projects such as Hackney Interchange and schemes at various stations to deliver step free access. Collaboration over such infrastructure projects could be developed further, giving skilled third parties such as TfL the opportunity to undertake works on Network Rail's infrastructure with minimal involvement from Network Rail, enabling greater efficiency and reduced duplication of design and approvals activity. This could have a material impact on the efficiency with which enhancements can

be delivered; during CP5 this was a key concern.

It is also important that collaboration is improved where there are interfaces between Infrastructure Managers, for example between Network Rail and London Underground (LU). This collaboration is important to ensure that the activities of one IM do not adversely affect another and to enable the most efficient overall solution to be developed in terms of process and outcome.

The interface between Network Rail and LU has recently proved to be problematic. During November 2017 LU experienced two cases where Network Rail's activities adversely affected it with no attempt being made to discuss the matter beforehand. These occurred at Blackfriars where Network Rail punctured LU's emergency escape route and at Northumberland Park where LU's depot security was compromised by Network Rail led activities. There have also been cases where issues have been resolved retrospectively, for example in relation to electrification works at Paddington and Barking that were redesigned to avoid adverse impacts on LU's maintenance activities. These cases demonstrate that the industry needs to become better at managing such interfaces through improved collaborative working.

Collaborative working in CP6

3: Which of the two options to support collaborative working outlined in this paper (i.e. an 'improved REBS-style mechanism' or an 'industry-led approach') do you consider will be most effective in supporting collaboration on the network? Please provide examples of the collaborative working you think will likely be affected.

TfL would prefer the industry led approach as we do not consider that a REBS style mechanism would be successful in delivering improvements, based on past experience. This could most usefully be applied to the delivery of enhancements, improving the efficiency with which these could be delivered. There is clearly a role here for funders with appropriate skills to deliver projects on Network Rail's infrastructure with the collaboration process providing appropriate oversight of such activities, minimizing duplication. It could also be applied to improve coordination between different Infrastructure Managers in the areas of asset maintenance and protection (for example)

Facilitating an industry-led approach:

4: What factors do you consider will be important in influencing the nature and scale of collaborative working achieved through an industry-led approach?

The key factor is ultimately the willingness of Network Rail to engage with

operators, funders and other Infrastructure Managers to achieve meaningful change. Network Rail needs to demonstrate that it can adopt a flexible approach to enhancements and allow other skilled parties to conduct these with an appropriate level of oversight. The ability of the ORR to ensure that any collaborative working framework that is developed does not discriminate between operators or allow Network Rail to exploit its position will also be an important factor in encouraging participation.

5: What actions/commitments should be made by organisations across industry (including ORR and governments) to address these factors?

The ORR should commit to ensuring that increase collaboration is conducted in a fair and transparent manner.

In terms of closer collaboration over day to day operations it will be important for funders/franchising authorities to design their incentive mechanisms to ensure that operators have an incentive to participate, for example by making them financially accountable for delay minutes accumulated by Network Rail, as TfL does with its rail concessionaires. Funders and franchising authorities should also be prepared to participate fully in any collaborative working process to ensure that it works as intended and has access to the widest range of expertise, maximising the chances of success.

6: How should Route Supervisory Boards be used to facilitate collaboration? How will this change on multiple user routes?

Route Supervisory Boards should provide oversight of any collaborative activity that is initiated to ensure that it does not discriminate between operators and is conducted in a fair manner. This is particularly important on Routes with multiple users to ensure that they all have the opportunity to gain from a more collaborative approach. It is important that the Boards have a representative membership so that the views of all operators using the Route are heard and given due weight. This may not be the case where all secondary operators have to express their views through a single representative. The Boards could provide a “first line of defence” against any abuse of the collaboration process, reporting such matters to the ORR for further investigation/action where they cannot be resolved locally.

Yours sincerely,

**Alan Smart,
Principal Planner – Rail Development,
Public Transport Service Planning,
Transport for London.**