Working paper 4: Outputs responses contents list

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16th September 2016

Introduction

These comments respond to the ORR's Working Paper 4 on the Outputs Framework. 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 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 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 responses.

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

PR18 Process

Arriva welcomes the structured approach to the PR18 activity laid out by ORR – in particular,

- the clear identification of the context for PR18 and the associated influencing factors,
- the focus of the objectives of PR18 on delivering benefits for end users (passengers and freight customers)
- the clear identification of prioritised areas for consideration during PR18
- the staged approach using Working Papers for incremental engagement with the rail industry on identified priority areas to allow ideas to be refined progressively.

This has allowed Arriva and RDG to organise suitable resources to engage with ORR to progress the necessary activity in an incremental way rather than try to deal with a very wide range of open issues at the back end of the available time window.

Key considerations relating to the Outputs Framework and issues highlighted in Working Paper 4

Looking at the key areas of focus covered by the Working Paper 4, Arriva has the following observations in addition to those provided in the RDG response:

The relationship between Network Rail and its direct customers is key to enabling the cost effective delivery of safe, high performance rail operations. Network Rail's devolution programme offers the opportunity to strengthen this relationship and to bring it as close as possible to the point of service delivery at route and

system operation levels. Aligning ORR's Regulatory approach to these key interactions could be expected to reinforce this change of focus. Therefore, establishing the Outputs structure in a congruent manner is an essential part of creating the necessary alignment of regulation and operational delivery. This would suggest that Outputs should be disaggregated and aligned with Network Rail's Route and System Operation structure.

Establishing suitable Output measures in a more complex environment with a greater focus on the outputs delivered by Network Rail's routes and system operation functions will be a challenging task. However, getting this right is key to being able to drive successful delivery of the industry's objectives.

Therefore, Arriva suggest that the Outputs workstream considering these matters needs to run throughout the PR18 process to ensure that developing thinking is reflected in the defined Output measures. In line with the themes of devolution and route and system operation based regulation, the process for developing appropriate Output measures should involve the active engagement of Network Rail's direct customers in a much more effective manner than has been the case for the current Route Scorecards.

In addition, the overall focus needs to remain on end user outcomes.

As part of a route and system operator based regulatory structure, Arriva recognises ORR's desire to establish mechanisms to ensure that Network Rail and its routes and system operation functions are held to account for the Outputs delivered. However, Arriva believes that establishing effective mechanisms focused on the route and system operation teams will be much more challenging than has been the case when such matters have been addressed at a national level. However, this is a challenge which needs to be met.

Specifically, Arriva would observe that:

- Outputs expressed as ranges do not provide the necessary clarity required by operational organisations. The use of ranges will also tend to focus on the bottom of the range as being an effective target diluting the results that could be expected.
- The use of "fines" as an incentive is not appropriate in a devolved structure where the accountability for delivery is at an operational level. Instead, Arriva would recommend the use of structured remedial plans developed and delivered at an operational level with direct customer input and Regulatory oversight. A staged approach of Regulatory intervention and the scale of the required Remedial Plan could be considered with initial Remedial Plans with light touch oversight being triggered as results fall close to levels potentially breaching the set Output level and the delivery of more extensive Remedial Plans with more intrusive oversight being required if Output levels are not being met. This staged approach would be consistent with the response that would be expected from an operational organisation.
- Outputs measures should be defined to align with the measures used by the route and system operation functions to manage the work they do so that they can be embedded in the work activity of the organisation. Many of the current Output measures have little relevance to day to day operational delivery and are not "common currency" at that level – instead they are focused on by central regulatory functions within Network Rail. As has been seen in the current Control Period, some measures can be inaccurately calculated without this error having any impact of day to day work.
- Output measures and targets should be defined so that they can be seen to be consistent across the industry from the level of specifiers, operators, Network Rail delivery organisations and end users.
- The Regulatory Outputs structure should be strongly focused on the needs of end users – passengers and freight customers. Measures such as the results of the National Rail Passenger Survey are valuable means of securing insight to passenger requirements. However, the measures that the survey produces cover a very wide range of specific factors which are too numerous to include in the Regulatory Outputs structure while the aggregated measures are influenced by too many factors to be appropriate for direct use in the Regulatory Outputs structure. Therefore, Arriva suggests that the role of operators to reflect the requirements of end users in the setting up and monitoring of the Outputs would be the most effective means of securing the necessary focus on the needs of end users. This is particularly true in the case of the Route and System Operator Scorecards where Operator involvement in their development and monitoring should be considerably greater than has been the case to date. With this involvement, it should be possible to publish the Scorecards as they will be directly relevant to end users.

- Particularly in the case of the Scorecards, a degree of flexibility as to the structure of the Outputs should be allowed so that the changing needs of end users can be reflected. However, this flexibility should not be allowed to lead to any dilution of the level of performance expected. The process of reviewing the Scorecards should be embedded into the annual cycle of governance of the interactions between Network Rail's direct customers and the Route and System Operator functions.
- Network Capacity is a key output. However, deriving appropriate measures is currently proving to be an intractable challenge. Given the importance of this matter, work needs to be continued to develop an appropriate solution to this challenge.

Conclusion

Arriva believes that the Regulatory Outputs structure should be developed to reinforce the focus on Route and System Operation and should enable closer engagement between these parts of Network Rail and its direct customers.

To this end, the Regulatory Outputs structure needs to be:

- reflective of end user requirements,
- relevant to delivery functions
- aligned across the industry and
- flexible over time without dilution of performance standards.

Yours sincerely,

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16 September 2016

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By e-mail

Response to Working Paper 4: Outputs Framework

Dear Lynn

Thank you for the opportunity to respond to *Working Paper 4: Outputs Framework*. This working paper is a very helpful contribution to the discussion on how to take forward Periodic Review 2018 (PR18), which raises a number of key issues. We already addressed some of these issues at a high level in our response to the ORR's Initial Consultation[1], but it is useful to have the opportunity to present our more detailed views on the Outputs Framework. This is particularly the case given the importance of the Outputs Framework in helping to ensure that the railway delivers what its users want.

Our Objectives

The Outputs Framework selected for PR18 will have significant implications for most aspects of the railway during Control Period 6 (CP6). Therefore, we are clear that a successful Outputs Framework must:

- Enable funders, customers and, critically, end users to have a much more central role in identifying the outputs they require from Network Rail (NR);
- produce behaviours from NR and industry which put the interests of customers first, particularly end users, for instance by improving the reliability and availability of the network;
- provide clear and easily understood metrics for effectively holding NR to account, enabling action to be taken where performance falls below reasonable requirements. Effective benchmarking is likely to play a significant role here;
- support the process of devolution of power and accountability to NR's routes, putting decision-making closer to customers;

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[1]   https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/541399/dft-response-to-orr-initial-consultation-response.pdf

- support the need, which exists alongside this process of devolution, to protect and enhance those aspects of the management of the railway which can only take place at a national level;
- in particular, to maintain sufficient expertise within Network Rail's central functions to make informed business decisions (learning from best practice) which support the delivery of the operational railway;
- deliver funders' priorities for efficient, safe and reliable provision of additional capacity that is targeted to meet demand, including by providing NR and industry with a rational framework for making trade-off decisions, such as those between performance and capacity;
- provide NR at both central and route level with sufficient flexibility to adapt to new means of funding enhancements; and
- provide strong incentives across the system to reduce costs and improve efficiency for both funders and customers.

The proposals set out in the Working Paper would, in our view, generally appear to provide a useful framework for achieving our objectives. We would like, however, to set out some specific comments on how we feel the Outputs Framework might best be designed and deployed to the benefit of users and funders of the network.

The Principles for the Output Framework

We are clear that any effective Outputs Framework for CP6 will complement other reforms currently being driven forwards across the industry, including Network Rail devolution, the alignment of incentives across the industry and an increased focus on the needs of passengers and freight users. It must be sufficiently flexible to respond to other reforms currently under consideration, such as an increased role for third parties in funding infrastructure enhancements. We believe this is most likely to be achieved by means of an Outputs Framework which focusses on holding NR (both its routes and its central functions) to account for the outcomes they deliver for customers and funders, rather than attempting to micromanage specific inputs; it should also take appropriate opportunities for simplification. The general approach must be to consider how each element of the Outputs Framework will contribute to improving outcomes for NR's customers.

We also recognise that the process of route devolution, if not implemented and regulated properly, carries risks for certain sections of the industry, particularly freight operators and cross-country passenger operators. It is vital the Outputs Framework ensures all parts of NR are focussed on meeting the needs and expectations of these customers and improving outcomes for them.

Moreover, for the Outputs Framework to be effective, Network Rail must demonstrate that it is suitably resourced both at national and route levels to make informed business decisions (learning from best practice) which support the delivery of the operational railway both from a strategic perspective to counter the effects of seasonality and in real time to ensure optimum performance outputs are achieved.

Objectives and Trade-Offs

Figure 2.1 provides a useful overview of the high-level outcomes NR is expected to deliver, although we would further note the importance of environmental sustainability, particularly decarbonisation and resilience to climate change, as an important objective.

There are, as indicated in the Working Paper, trade-offs to be made in the delivery of these outputs. Where possible, the Outputs Framework should not seek to mandate from above a particular set of decisions in respect of these trade-offs (save where required to do so to meet targets specified via our High Level Output Specification or, conceivably, a franchise), but should encourage NR's routes to <u>work with its customers and funders</u> to establish and deliver on their priorities. We would be pleased to discuss with the ORR how we might ensure that our franchise contracts could best incentivise operators to take part in such a process.

We recognise, however, that some degree of specification via the Outputs Framework may be required in order to ensure national-level or long-term outputs are not sacrificed to meet specific local priorities. Where this is the case, we would encourage ORR to work with funders (particularly franchising authorities), customers and their representatives (in particular, Transport Focus, though freight interests will also need to be fully addressed) to ensure there is effective engagement, ensuring trade-offs to be transparent and to best reflect the needs of users of the network collectively.

Moreover, <u>the objective to preserve and enhance the safety of the railway is clearly paramount</u>. We would, however, expect to see this objective achieved in a manner which complements an improvement in financial and operational efficiency, and our objectives around increasing available capacity to match demand. While we accept this is not an issue specific to the Outputs Framework, the regulatory settlement for PR18 should seek to avoid incentivising inappropriate "gold plating" of standards in cases where there is no appreciable safety benefit to doing so' it should also ensure that the operational consequences of changes in standards are taken into account.

Informing Investment

We would further encourage ORR to consider the role the Outputs Framework might play in informing Government investment decisions, given our intention to fund enhancements in a more flexible manner. We would find it extremely useful if the regulatory environment could facilitate and encourage industry discussions over how to increase available capacity and how to better match passenger and freight capacity to demand. This will help ensure all options have been identified before Government commits to make an infrastructure investment. This would support our objective to target infrastructure investments where they are most needed, and only after options involving optimising existing capacity have been explored, so as to make best use of public funds and minimise the extent to which passengers are exposed to the disruption associated with infrastructure works.

Additionally, our intention to fund enhancements on a more flexible basis in future may require the strengthening of change control processes in respect of metrics and outputs. It is important that, where enhancements are funded mid-Control Period, NR Route Directors remain strongly incentivised to ensure that their delivery is as efficient as

possible, while minimising disruption for users. We would not, however, want Route Directors to be exposed to the risk of failing to meet regulatory targets which have been rendered impossible to meet as a result of a decision to fund an enhancement.

Oversight of Network Rail

We have noted the arguments within the Working Paper regarding the use of indicators and enablers during CP5 and their potential applicability for CP6. We agree with the doubts raised in paragraph 2.28 regarding the continued applicability of the CP5 approach to these tools for CP6, against the backdrop of NR route devolution and the move to a scorecard approach. We are pleased to note the ORR is open to considering all options in this area and is aware of the trade-offs between requiring adequate reporting from routes during a time of change and the critical need to encourage routes to focus on serving funders and customers, rather than regulatory requirements.

We do not have a firm view on whether it would be appropriate to set indicators and enablers for CP6. We would, however, note that there is a risk that the "indicators and enablers" approach might pull the ORR towards the regulation of inputs rather than outputs. If this approach is used, care must be taken to avoid input-based regulation which prevents NR from flexibly delivering what its customers want and need.

Metrics – National and Route-level

We very much welcome the progress that has already been made in improving metrics via NR's route scorecards. We hope and expect to see continued progress in this area. In particular, it will be important that metrics used by the ORR are aligned with NR's scorecards to the greatest extent practicable to better ensure that customers are more effectively defining NR's objectives. Continued effort will be needed by all parties to ensure that scorecards are matched as closely as possible with the needs of users, as well as funders.

We note the tension highlighted in paragraph 3.6 between the need for route-specific metrics that reflect local needs and the need for metrics which provide suitable information to enable meaningful performance comparisons between NR routes. We are also supportive of the ORR's intention to rationalise the number of metrics. As set out in section 4 of the working paper, we believe it would be appropriate to address this tension through having a core basket of metrics common to each route (accepting that the metrics may need to be set at different levels for different routes), which are then supplemented by route-specific metrics reflecting local and customer requirements. This will be a key aspect of ensuring that NR is effectively held to account for delivery.

Moreover, we are anxious to see sufficient visibility given to freight performance metrics, particularly given the importance of freight to the Government's economic and environmental strategy. These metrics should be set in consultation with both freight operators and their customers and should ensure that NR is focussed on delivering the outputs that matter to the freight sector. Reflecting the national nature of these freight operations, we believe it is inevitable that metrics will need to be set at a national level. The profile of these metrics must be such that devolved routes are required to maintain a strong focus on them, even if freight operators represent only a relatively small proportion

of their traffic. This should be supplemented by strong incentives on NR's central functions and through the proper empowerment of the newly-created freight route.

Metrics – Our Approach

Our current view is that in setting the HLOS we would look to avoid the detailed specification of particular metrics, focussing instead on high level outcomes and trajectories, ensuring that customers and end-users can effectively engage with NR and define their requirements. In doing so, we would want to strongly encourage the ORR to ensure that meaningful engagement has taken place, including with end users; Transport Focus and London Travelwatch may also be able to play a key role here.

We also consider that it is important that the ORR considers the interplay between franchisee's contractual requirements and potential metrics. Where ORR thinks that there may be options to improve the alignment of how DfT specifies metrics via its franchise contracts with the CP6 Outputs Framework, we would welcome discussions on how this might be best achieved.

System Operator Outputs

We agree with the need to set separate outputs for the System Operator. These outputs should incentivise the System Operator to work effectively with both NR's routes and funders. In particular, we would expect to see the System Operator given strong incentives to improve performance in respect of timetabling and network utilisation; this should enable more effective use of existing rail capacity and enable funders understand where investment in infrastructure improvements might best be targeted.

As with other aspects of the Outputs Framework, we note that the regulation of the System Operator is likely to change over time, as the function matures. We would expect that arrangements put in place for CP6 may need a degree of flexibility to allow for this and may themselves only prove to be transitional arrangements.

Financial Performance

The question in paragraphs 4.108-111 of whether or not financial monitoring measures should be given the status of outputs will depend on the wider consultation on the framework to monitor and incentivise NR's financial performance in CP6 which is due to take place in December 2016. In the absence of that framework it is not possible to make a judgement about whether it would be appropriate to change the status of financial monitoring measures to outputs. This question should be raised in that upcoming consultation.

Likewise, the question in paragraphs 4.112-113 about the level of disaggregation of financial indicators is entirely dependent on the wider framework for monitoring and incentivising NR's financial performance. It should also be considered as part of the upcoming consultation.

Dan Moore

<u>Freight Transport Association – response to working paper 4</u>

Further to Working Paper 4 <u>http://orr.gov.uk/__data/assets/pdf_file/0003/21963/pr18-working-paper-4-outputs-framework-for-control-period-6.pdf</u> our comments are as follows:

FTA has responded to ORR's initial consultation on the 2018 periodic review of Network Rail (PR18) as well as to the subsequent working papers.

FTA's response cites that it is correctly stated that this review takes place in a changed context of reclassification of Network Rail's ownership and thereby increased Government involvement. Also a context post the Hendy Review of current Control Period enhancements delivery and the Bowe Review of delivery of future enhancements, as well as the context of political devolution of funding and the route level devolution of Network Rail and the prospect of deeper alliancing as in the ScotRail Alliance model. Therefore it is particularly important from a freight perspective that the Network Rail Freight and National (GB) Operators team is developed alongside the System Operator role. FTA's response states that the priorities expressed in the consultation are correct (a network that is more efficient, better used, expanded effectively, safer, available, reliable) and of themselves difficult for anyone to contest. However, from a freight perspective what is particularly important is that enhancement schemes are delivered in a co-ordinated manner that deliver end-to-end journey time, capability, and capacity improvements over end-to-end corridors for the particular freight flows concerned.

Also we argue that the needs of freight as a cross (Network Rail) route boundary operation are catered for at a practical level regarding timetabling, disruptive engineering network access, diversionary routing capability and capacity. In this regard the development of the System Operator role is key. It is also important that passenger train franchising (particularly in a context of devolution of funding) recognizes the timetabling and pathing needs of freight to offer customer service.

Further it is important that in our response we reiterate that unlike passenger which while privately delivered is to a state franchise specification, freight is (apart from some modal shift grant) a private sector activity. Rail freight runs in response to customer demand, passenger in response to a state / funder specification of service. Demand for freight can and does change, dramatically so at the moment with the premature ending of coal traffic. This means that the axis of freight operation around container traffic and aggregates is likely to move geographically southwards and on to the more congested parts of the network.

This brings on to a further set of related points: cost, access, velocity. For rail freight to win more market share (and even to retain existing business) in the markets seen as potential for growth (deep sea and domestic retail intermodal) costs to the end user must come down, access for new traffic to the network must become easier, and end-to-end journey times must improve. Road freight is constantly improving its price (and environmental) efficiency. Rail must do likewise. It is therefore vital that efficiencies that affect price inputs such as network enhancements and OMR and FOC efficiency see their way to the customer as cost reductions. Cost increases such as happened with freight Track Access Charges in the last Periodic Review must not be repeated as they seriously damaged customer confidence in freight. It must never be assumed that a particular traffic is "captive" to rail: if costs or service levels shift against rail then customers will seek innovative means of using other transport modes that offer cost savings.

Outputs & monitoring
This relates to the above and it is again important that on a freight corridor end-to-end journey basis the performance of freight is measured and publicly transparent. A further suggestion (by freight customers) is that performance by freight operators should also be publicly available as with the Freight Delivery Metric on a corridor basis.

Approaches for enhancements
For freight it is important that a co-ordinated approach is taken that delivers real benefits in capacity, capability, and end-to-end journey time improvements. However it is important that such enhancement projects learn the lessons from CP5 and the Bowe Review. SFN schemes were generally well delivered in CP4 but in CP5 the larger schemes became mired in problems about scope, lack of clarity of outputs and funding issues when interfacing

with route- based schemes. It is important that the needs of freight and freight enhancement schemes are effectively represented by the NR freight team in discussions with the Routes.

Please feel free to contact me if you wish elaboration on any points.

The Freight Transport Association represents the transport interests of companies moving goods by rail, road, sea and air. Its members consign over 90 per cent of the freight moved by rail and over 70 per cent of sea and air freight. They also operate over 220,000 goods vehicles on road- almost half the UK fleet. The main rail freight operating companies belong to FTA as do the major global logistics service providers operating in the European and UK market.

FTA's Rail Freight Council includes all parties to the rail freight supply chain, including rail freight operating companies, Network Rail, wagon builders, logistics service providers and bulk, intermodal and retail shipper customers.

Regards,

Chris MacRae

Chris MacRae FCILT
Head of Policy – Rail Freight and Scotland
Freight Transport Association

Freightliner welcomes the opportunity to respond to Working Paper 4: Outputs Framework. We note that the proposal to regulate Network Rail at Route and System Operator level will impact on how outputs are approached in PR18, and in particular, whether outputs are set at national or route level. Freightliner's responses to the working papers on regulating the system operator and route-based regulation have considered how Network Rail's new structure could improve outputs and options for the regulatory framework that could support this. Given the overlap between this working paper and the previous papers we will try to avoid repeating the points made in the previous responses.

1.0   Focus on outputs to achieve better outcomes

The working paper notes that the outputs framework has tended not to focus on outcomes but more at the level of outputs and inputs. Quite rightly the paper recognises the benefits of focussing on the 'outcomes' that the industry is seeking to achieve. This is an aspiration that Freightliner completely supports and it is important that the outputs framework measures the delivery of successful outcomes.

This is particularly important in relation to delivery of enhancement projects. Rather than focussing on the delivery of physical infrastructure, e.g. a new loop or crossover, a greater focus on the train service outputs that the enhancement will enable would help ensure that the benefits of enhancement projects are delivered. Clearly specifying the outputs of projects, expressed as the delivery of timetables that create new trains or reduce journey times etc, would enable the outcomes to be measured.

Our experience is that currently some project teams are too focussed on delivery of a specified project and not focussed enough on the final impact on train services. Without a clear focus on the train service specification delivered from enhancements there is a risk that the benefits of investments are not fully realised. Ensuring a greater outcome focus would drive greater focus on the specification required to deliver that outputs.

This was the case with the recent Sundon loop enhancement. Although the timetable work was undertaken by the project at an early stage and the loop was delivered to allow longer and heavier trains to operate on the Midland Main Line the project did not take ownership of how the timetable would be introduced to support heavier timing loads and consequently it has not been possible to find compliant paths for the heavier freight trains. If the project was measured on the delivery of heavier freight paths (e.g. through the inclusion of strategic capacity) on the Midland Main Line, it is likely that the project would have included in its scope, the need to ensure that the timetable delivered the outputs.

2.0   Outputs

It is clear that regulating Network Rail at route and system operator level impacts on how outputs are approached in PR18. These structural changes provide an opportunity to develop an output framework that measures outputs that are important for customers. Our responses to previous working papers have discussed in detail these potential outputs.

2.1 System operator outputs

Freightliner welcomes the focus on the national system operator and firmly supports the high-level outcomes of system operation identified by the ORR. This is an important area for Freightliner as the interface with the system operator is one of the most important relationships that operators

have with Network Rail and we believe that PR18 represents an opportunity to develop a regulatory framework that delivers better outputs to support the industry.

Freightliner firmly supports the need for a balancing metric to ensure that the right trade-offs are made between cost, performance and capacity. In our response to Working Papers 2 and 3 we reasoned that the system operator is not always incentivised to identify and allocate capacity to support new train services and therefore outputs which measured how capacity is allocated and identified and how optimal the timetable is would drive better outcomes.

Crucially it is important that the system operator is incentivised to deliver outputs that are important for operators and help deliver more efficient and effective use of the rail network. As identified and highlighted in our previous responses suggestions for the regulatory framework for the system operator and possible metrics are shown in Table 1.

Table 1: Suggestions for regulatory framework with possible metrics

Regulated outputs	Possible metrics
Capacity allocation and identification	• Train slots offered to satisfy customer requirements • Root and branch timetable analysis, to include information to govt and ORR on socio-economic value on different train service choices • Programme of strategic capacity development
Timetable optimisation	• Average freight train speed (10% increase?) • Root and branch timetable analysis (as above)
Customer satisfaction	• Helping operators to deliver – measured by customer survey
Performance	• Delay minutes caused by planning errors per 100 miles
Adherence to milestones	• LTPP programme • Timetable production • Access planning

2.2 Route regulation

Freightliner understands that the two major outcomes from Network Rail devolving more responsibility to the routes should be a greater focus on delivering for the customer and to create a competitive tension between the routes as a means to improve outputs, and in particular to reduce costs. Freightliner supports these priorities and believes that they should be central to forming the detail of implementation of route regulation.

However as we detailed in our response to Working Paper 1 it is important that the regulatory framework does not distract the routes from delivering for the customer and avoid the routes prioritising the regulatory targets over the needs of customers. Having balanced outputs that measure aspects important for operators will help to avoid such a scenario.

The proposed regulatory framework for the system operator recognises that there has historically been too great an emphasis on delivering performance without a balancing metric that considers capacity utilisation or quality of train services e.g. journey times. To ensure consistency of targets it is important that the route scorecards are equally balanced.

However as we noted in our response to Working Paper 1, for freight the scorecards currently proposed select the Freight Delivery Metric as the only freight metric. This is wholly focussed on

day to day performance. This risks over-incentivising performance without considering capacity identification or quality of services. It is important that routes' metrics are consistent with those of the national system operator to ensure alignment of objectives.

Freightliner supports the provision of a freight metric for each route being based on the total sum of the route Freight Scorecard. Route Freight Scorecards have been developed by Network Rail's freight team, and the draft of this is attached as Appendix 1 to this consultation response.

3.0   Network availability

Freightliner's experience of the system operator's possession planning activity is largely positive with a coordinated approach across the routes to ensure that possessions are deconflicted nationally. However PR18 represents an opportunity to make the regulatory target more meaningful.   The current Possession Disruption Index (PDI) is not effective as a tool to monitor the impact of possessions on operators, and is consequently not monitored by operators. In Working Paper 4 it is acknowledged by Network Rail that the current indices do not drive its behaviour. However it remains important that Network Rail is incentivised to find less disruptive ways of carrying out work.

In our response to the system operator working papers we proposed using the outputs of Network Rail's IAP workstream as a more effective means of monitoring disruption. The IAP programme has agreed a set of proxy values for valuing the impact of possessions on freight operators. These figures, which vary by commodity and by the nature of the disruption, consider the revenue impact on freight operators when possessions restrict access to the network. This is being rolled out across the routes as a tool to enable more informed decisions to be made over the scheduling of possessions.

A possession disruption metric could instead track these figures which would provide a more meaningful measure of the disruption caused to freight operators.

4.0   CP6 performance and enhancement outputs

Recognising that Network Rail is not currently meeting its performance and enhancement outputs the Working Paper suggests that the level of CP6 outputs should be set against 'exit position'. While that may be appropriate it should be looked at on a case-by-case perspective to understand why the targets were not met and the environment that contributed to this. There have been a number of reviews to understand why Network Rail has struggled to deliver its CP5 outputs and its important to be cognisant of these when setting CP6 output levels. It may not be appropriate in all instances to reset CP6 target to likely CP5 exit position; this seems as a general approach to be a rather 'soft' approach that could send the message that not reaching targets is acceptable.

5.0   Performance metric for freight

Freightliner supports maintaining the FDM measure for CP6. We agree that given the commercial nature of the relationship between freight operators and their customers it would not be appropriate to set a regulatory target based on other measures. Freightliner has found this to be a helpful performance metric – it is focussed on delivery to end customers and easy for Network Rail staff to understand whether they have succeeded or failed. We agree that it should continue to be set at a national level with indicators available at a corridor level.

Notwithstanding the difficulty of breaking this output down by route level it may be helpful to note that a number of performance metrics are identified for inclusion within the proposed route freight scorecard including:

• Route Freight Delivery Metric

- Targets are end-year MAA positions
- Targets are end-year MAA positions
- Number of NR cancelled services
- Percentage of right time departures

In that respect if the sum of each route's Freight Scorecard forms a regulated output, the route's contribution to freight performance will be considered as part of the output.

6.0   Monitoring

Freightliner supports the case for rationalising the data collected and reported by Network Rail. There is merit in reducing the burden and avoiding indicators being seen as a 'regulatory requirement' in order to focus on collecting and reporting information that Network Rail need to manage the network.

A key part of the rationale for route level regulation is to allow Network Rail to be closer to customers. This suggests the need for a more fluid approach to establishing the set of indicators to ensure that when customer priorities change, Network Rail can recalibrate the indicators to ensure industry alignment.

7.0   Network capability

Freightliner agrees that oversight of network capability continues to be an important area. The configuration of the network is crucial for freight operators and any change in the capability needs to be carefully assessed in order to ensure that it is not detrimental to train operations. In that context it is crucial that Network Rail adhere to the Network Change process and therefore we fully support the on-going need to identify discrepancies between published and actual network capability. That includes monitoring actual versus published gauge and route availability as well as the physical network infrastructure including the lengths or loops and provision of crossovers.

Freightliner does recognise that there are opportunities to improve the Network Change process and we have suggested to Network Rail that they develop a Code of Practice that will outline the expectations and timescales on all parties, to ensure that the process is as efficient as possible.

Network Rail Route Freight Scorecards

Rationale

The Route Freight Scorecards are designed to supplement the Route Scorecards being published by the eight devolved Route's within Network Rail. The Route freight scorecards show how the respective Routes are performing against freight specific targets on a quarterly basis.

Explanation of Measures

Freight Derailment (Quarterly)	No. of freight derailments occurring on NR infrastructure
Freight SPADs (Quarterly)	Number of freight SPADs occurring on NR infrastructure
Overdue freight investigations	Number of investigations open after 28 days involving FOCs
Safety Tour (Quarterly)	Number of joint safety tours completed
FOC reported LTI on NR infra (Quarterly)	Number of FOC reported lost time injuries on NR infrastructure
FMS faults older than 28 days	Number of FOC reported faults open after 28 days
R-FDM	Route Freight Delivery Metric
FOC on TOC	Targets are end-year MAA positions
TOC on FOC	Targets are end-year MAA positions
NR cancellations	Number of NR cancelled services
Right Time Departures	Percentage of right time departures
TDA Process Compliance (> 3 months)	Number of TDA spreadsheets more than 3 months old
Gross Tonne Miles (KGTM) (Quarterly)	Gross Kilo-Tonne Miles - representation of freight moved
SPR compliance with milestone	Adherence to KPI for NR to review, accept and progress SPRs
Freight project to GRIP 3 on time	SFN or other freight specific project
Freight project to GRIP 6 on time	SFN or other freight specific project

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Go-Ahead

Lynn Armstrong
Office of Rail and Road
One Kemble Street
London
WC2B 4AN

12 September 2016

Dear Lynn,

PR18 Working Paper 4: Outputs Framework

Thank you for the opportunity to respond to the ORR's PR18 consultation on the design and nature of the outputs that Network Rail will need to achieve in CP6.

Govia is one of the leading rail operators in the UK and is a joint venture between the Go-Ahead Group (65%) and Keolis (35%). Govia has extensive experience running complex and challenging rail operations. Govia currently runs three major rail franchises: Govia Thameslink Railway (GTR), Southeastern and London Midland. Govia is the UK's busiest rail operator, currently providing around 35% of all passenger journeys. As a key provider of rail services, we welcome the opportunity to respond to your consultation regarding the 2018 periodic review.

This response represents the views of the three Govia-owned Train Operating Companies as well as Go-Ahead Group plc. Go-Ahead has contributed to the industry response prepared by RDG and this is intended to supplement that response.

We support the overall principle of setting outputs at Route-level. Consistency is important for benchmarking and identifying best practice; however Route-level regulation will need to take cognisance of the fact that different Routes have different operational characteristics and asset management challenges; some of which may be linked to historic investment imbalances. It would therefore not be appropriate for each Route to be set the same values for output targets, particularly in areas such as operational performance.

We agree with the concept of Route-based scorecards, however greater engagement with TOCs in the development of these is required. We also support and would promote a greater level of involvement for TOCs/FOCs in informing the process for setting Network Rail's outputs; particularly with regards to performance targets. Equally, greater engagement with customers and end-users is important and we believe this should be done through TOCs/FOCs.

In line with giving greater consideration to the experience of the end-users, we strongly believe NRPS targets should be included in the Route output framework. Many Operators now have contracted NRPS targets specified in their Franchise Agreements and given the influence Network Rail can have on the achievement of these benchmarks, it would seem appropriate for Network Rail to be measured against the same or similar targets.

In terms of the role of Governments, we agree that output targets must align with Operator targets in Franchise agreements, otherwise this runs the risk of undermining the Control Period output targets as an incentive measure because Operators will naturally prioritise their contracted franchise commitments.

The use of fines on Network Rail is not effective or appropriate, particularly following its reclassification as a public body. Effective enforcement and regulation of Network Rail can perhaps only be achieved via the structure of its Director and Senior Management pay and reward arrangements; including withholding bonuses.

We agree that it is an appropriate time to review the use of PPM. Whilst widely applied and used in the media, PPM is not an accurate performance measure and this is reflected in the scepticism with which

it is viewed by the media and passengers. It is also inconsistent in its application across operators, for example London Midland's long-distance services arriving from Birmingham and Crewe at Euston are measured at +/- 5 minutes for punctuality, whilst Virgin Trains services from Birmingham and Wolverhampton to Euston are measured at +/- 10 minutes.

Using PPM as a universal performance measure can also lead to perverse incentives which are not necessarily focussed on customer experience, for example performance management plans that target services 'just missing' PPM, which may not necessarily reflect the services with the greatest passenger volumes.

Nonetheless, we would support the suggestion of continuing to monitor PPM whilst also utilising other metrics as a more appropriate measure of performance. This could be in the form of a move towards monitoring and publishing statistics for total minutes delay, which would align more appropriately with Operator's franchise targets which are usually focussed on delay minutes and cancellations rather than on PPM.

We agree there is a disproportionate weight on on-time arrivals at termini and not enough on intermediate stations. We support the initial work NTF has considered for measuring performance at all stations on route, rather than solely at the termini. We support the concept of a basket of measures which enable focus on the experience of the passenger, such as passenger time lost. A sharper focus on the number of passengers arriving on time rather than the number of trains arriving on time seems sensible, although in both these cases, changes may create misalignment with Franchise Agreements.

We understand and support the logic for using passenger numbers as a tool for measuring the impact on passengers during disruption, however if on-board passenger load equipment is to be used for this purpose Operators must be given sufficient time to fit the equipment to their fleet in a cost-efficient and effective way.

In terms of the level of disaggregation, we agree that targets should be set at both system and route level, as Well as continuing to set targets at TOC level. We also agree that understanding network capacity is a long-standing issue which needs focus and outputs/indicators should be set for this.

Amongst Operators there is an ongoing concern regarding Network Rail carrying out physical changes to the network without due regard to the Network Change process, in some cases removing assets from the network without progressing through the Network Change process, or appearing not to take into account Operator objections to Network Change proposals. It would be difficult to identify a metric that could be used to monitor this sort of activity, so we would prefer that the ORR manages this strongly through license enforcement on a case-by-case basis.

In terms of possession disruption, it is not always the standard overnight and weekend activity which hinders aspirations for operating additional services, it is sometimes the access required for the delivery of major projects which presents the biggest challenge. However, recent experience with prolonged blockades to deliver the Redditch branch enhancement project (in 2014) and at Galton Junction (in 2016) have showed that when adequately resourced, well planned and communicated in advance; a long blockade can be preferable and a more acceptable solution for passengers than continual weekend blockages. It is the last-minute postponement or deferral of commissioning works that presents the biggest problems to Operators.

With regards to Network Rail's suggestion that it may no longer conduct an annual customer satisfaction survey, we do not have a strong view either way. We are unsure of the value in responding to these surveys as it appears to have little impact, other than souring the relationship with counterparts.

If you would like to discuss this response in further detail please contact Chantal Pagram, Head of Rail Policy.

Yours sincerely,

Charlie Hodgson
Managing Director, Rail Development

Network Rail's response to ORR's PR18 working paper 4: Outputs Framework

16 September 2016

Executive Summary

Network Rail welcomes the opportunity to respond to ORR's working paper on the PR18 outputs framework. Our response builds on the points made in our response to the initial PR18 consultation and complements our response to the working papers on implementing route-level regulation and system operation. No part of this response is confidential and we are content for it to be published in full.

Context and challenges

We have an established devolution programme to move more decision making from the centre to our route businesses. This programme established the new operating model that we adopted in 2016.

At the heart of devolution is the principle that empowered leaders will be able to focus more precisely on the needs of our customers, take decisions faster and innovate more effectively.

The Shaw Report welcomed and endorsed our approach, but encouraged us to go further and faster. We agree and are rebalancing operational responsibility, pursuing deeper devolution to routes that are equipped with the skills, capacity and resources that allow them to run as effective customer-focussed businesses. Our central teams will continue to play a critical role in supporting the routes and ensuring the network operates as a single integrated system through the System Operator function.

By establishing the Freight and National Passenger operators' route (the 'virtual route'), we are also strengthening our relationship with our freight and national passenger customers who run services across the network, ensuring their needs are balanced with those train operators who operate wholly or predominantly on a single route, with a primary relationship with one devolved business.

We have recently published our ['Delivering for our Customers' Transformation Plan](#) which sets out the overall transformation journey that Network Rail has been on and what we will do next to accelerate the pace of change. It also explains how we are integrating the conclusions of the Shaw Report into these plans. Our response to this working paper seeks to build and develop on the matters outlined within our Transformation Plan.

What should an outputs framework achieve in CP6?

Since privatisation in the early 1990s, the regulatory framework that has operated in the GB rail sector has been centred on the regulator determining outputs that the infrastructure manager must then deliver. Over the past two decades this model of regulation has achieved a great deal including increased levels of investment and a period of extraordinary growth on our railway. However, we believe that this model of regulation does not support deeper devolution and therefore there are clear opportunities for significant reform.

A **key objective of devolution is to increase our focus on our customers**. We consider that fundamental change is required to the current outputs framework to effectively support this delivery.

Our routes and the System Operator will work with our customers and funders to agree our core priorities for CP6. These priorities will form the basis of scorecards which will enable our businesses to set, track and achieve their objectives. This approach should enable Network Rail to focus on the

priorities of its customers and funders rather than on meeting detailed requirements set by the Office of Rail and Road (ORR). The current model of regulation, in which ORR determines what Network Rail must deliver over the course of a control period, drives behaviours that focus on ORR as Network Rail's primary customer. Therefore, **scorecards agreed with customers should be the basis of the outputs framework for CP6**. As soon as we can, we want to see **our scorecard output targets becoming aligned with our customers' targets** to support our focus on our customers' priorities. It makes sense for all parts of the railway to be pulling in the same direction.

We believe that **each scorecard output should have a defined regulatory status** so that each output is regulated in the most appropriate way and so that it would be very clear when ORR may take regulatory action. For example, some outputs may have formal targets, while others may have minimum thresholds of required performance or ranges of acceptable performance to reflect the uncertainty in forecasting targets. Other output areas may have no formal targets or thresholds as they do not relate to ORR's economic regulation of Network Rail. In addition, we may choose to include within our scorecards measures of internal company performance (for example employee engagement) which are core to delivering for our customers. Such measures would not have any regulatory status but may nevertheless be critical enablers of our success.

Prior to the start of CP6, ORR will have an important role to input to the development of the shape of our scorecards and in providing assurance that the scorecards will deliver the requirements of funders and long-term industry objectives. In addition, there may be instances during the control period where we are not able to agree with our customers and/or funders a change to the scorecards. In such circumstances we consider that ORR will have a key role to play.

As stated in our response to ORR's PR18 initial consultation, the **outputs framework needs to support flexibility** in our regulatory outputs to be able to respond to the possibility of changing customer requirements and the inherent uncertainty and complexity in forecasting expected outputs over the control period.

We also believe that public reporting by ORR on Network Rail's performance should be focussed on the delivery of scorecard measures and that our scorecards should be the primary means by which our performance is monitored. We consider that **performance should be assessed 'in the round' as a balanced assessment** rather than a binary assessment against individual outputs where we are judged to have passed or failed each one.

As discussed in our response to ORR's implementing route-level regulation working paper, we consider that ORR's approach to enforcement needs to be reformed to reflect the fact that Network Rail has been reclassified as a public sector body and should focus more on reputational impact and 'shining a light' on both good and poor performance. Greater use should be made of reputational tools with **regulatory action being a backstop if we are abusing our monopoly position**.

Structure of response

The rest of this response reflects the structure of ORR's working paper on the outputs framework. Noting that ORR's working papers are intended to facilitate a more dynamic process of engagement and to support an iterative approach to policy development, our response highlights our emerging thinking in a number of areas.

We welcome ORR's approach in this regard and look forward to continuing discussions on the implementation of the outputs framework with ORR, customers, funders and other stakeholders during PR18. Over the coming months it will be important to move from the conceptual discussions towards being able to assess and analyse the practical implications of the outputs framework in greater detail.

1. How will outputs be determined for CP6?

Scorecards

The Shaw Report sets out that 'ensuring that the ORR has a clear focus on its core responsibilities will help tackle the perception that the regulator is Network Rail's customer'. In line with this, we believe that it is essential that our devolved businesses are enabled to focus on their customers rather than on meeting detailed targets set by ORR.

In 2015/16 Network Rail introduced national and route-based scorecards which set out performance and delivery targets. Our scorecards allow Network Rail employees to focus on what is important to our customers, and mean that the reward structures for all our employees are tied to meeting those needs.

This year, for the first time, we have consulted TOC and FOC customers to develop bespoke, customer-led scorecards for each devolved business. In our 2016/17 national scorecards, 40 per cent of the measures – in train performance and customer measures – are locally driven. This step has been welcomed by operators, ORR and DfT. We recognise that the 2016/17 route scorecards were developed quickly and we will continue to improve our approach to developing route scorecards over CP5 to ensure our business is driven by customer needs and we will create route-based action plans to support the scorecards.

In parallel, over the coming months, we will develop initial CP6 scorecards for the System Operator and routes (including the virtual route). In developing our CP6 scorecards, we will need to balance customer priorities, long-term requirements of the industry, financial and resource constraints and also consider the need to establish forward-looking objectives (as recommended in the Shaw report). We will need to work in close collaboration with our customers and wider stakeholders to deepen our understanding of customer priorities so that our scorecards are developed in a meaningful way. The measures included in our scorecard not only need to reflect stakeholder priorities but also the part we play in the end user experience. To create greater transparency and to drive internal behaviour, they should be simple to understand.

In addition, we may choose to include within our scorecards measures of internal company performance (for example employee engagement) which are core to delivering for our customers. Such measures would not have any regulatory status but may nevertheless be critical enablers of our success.

In developing our scorecard outputs, we will need to ensure that the requirements and objectives of the following are central:

- funders through the HLOS process
- train and freight operators, and through them, the end user requirements

- local funders
- funds set up to achieve specific aims
- regulatory requirements driven by ORR's duties.

Whilst we envisage that scorecards will be derived through route and System Operator engagement with customers, Network Rail's centre will play an important role in providing guidance, ensuring consistency and deliverability at a national level, and providing assurance to our Executive Committee and Board.

Our emerging views as to how the process to develop and agree CP6 scorecards will work is described below in Box 1. We will develop this thinking further and would welcome further discussion with ORR and the industry through the NTF working group to develop a suitable process.

Box 1: CP6 scorecard development process

Stage 1: Develop the CP6 scorecard shape

We will develop CP6 scorecards with our customers and funders. ORR will have a key role to play in providing assurance that these deliver the requirements of funders and long-term industry objectives. We will also need to agree the regulatory status of each scorecard output with ORR.

Stage 2: Develop scorecard forecasts

We will develop forecasts for each scorecard measure and agree these with our customers.

Stage 3: Scorecard consistency with HLOS and SoFA

Following the agreement of scorecard measure forecasts with customers, ORR will have a role to provide independent assurance that the overall plan is consistent with the HLOS and SoFA (Statement of Funds Available).

Stage 4: Ongoing scorecard development throughout the control period

Forecasts within our scorecards should be updated annually as part of our business planning process, so that we are responsive to customer and funder needs, to changing circumstances and to reflect actual performance to date. There may be instances where we are not able to agree with our customers and/or funders an element of the scorecards. In such circumstances we consider that ORR will have a key role to play if our customers and/or funders are not satisfied with the outcome.

Our CP6 scorecards will be the tool that we use to monitor and report our delivery against the high level priorities contained within our business plan. They will contain performance trajectories spanning multiple years, in line with our business plan, with targets updated annually through customer and funder engagement.

Delivery of outputs should be directly incentivised through scorecards and the impact of over- or under-performance should be linked to elements of employee remuneration. As noted in our response to ORR's PR18 initial consultation, we need to consider the extent to which incentives for

employees in routes and the System Operator should be based on their respective scorecard performance, while recognising their importance in delivering Network Rail company-wide objectives.

2. What could outputs look like?

Structure

To be effective, scorecard outputs need to (a) be within the control of Network Rail, (b) be of value to stakeholders, (c) drive behaviour and (d) be measurable. If these criteria are not met, we believe there should not be an output on the scorecard.

Scorecards allow an organisation to focus on its key priorities rather than spreading its focus too thinly and we believe that the benefits of this focus should be replicated in the CP6 outputs framework such that the number of CP6 outputs is limited to key priorities.

Whilst input-based measures will be included within our scorecards we do not think that these should have regulatory status. To have formal regulatory status would reduce opportunities for innovative approaches to deliver outputs and reduces the opportunity for our customers to influence the most suitable approach. The action plans that we develop will set out our approach to deliver the scorecard outputs and any changes to these plans will need to be transparently agreed with customers.

We agree that the approach to the way that indicators are used, from a regulatory perspective, needs to change in CP6 to ensure we focus on our customers' priorities. The current regulatory model perpetuates a strong internal perception that ORR is our key customer. Indicators and enablers which are used to help inform Network Rail decisions should have no formal regulatory status. However, we agree that ORR has a regulatory role to monitor our performance and to highlight early risks to the delivery of an output. We consider that the management information we use to guide decisions is useful to ensure that ORR can fulfil its statutory duties. We propose to work with ORR ahead of CP6 to update our joint Memorandum of Understanding (which sets out how we co-operate and work with one another in relation to data collection activities) to clarify and capture the requirements that ORR has, such that it can fulfil its duties. Ideally prior to the start of CP6 we would agree with ORR what information it will routinely require from Network Rail to be able to monitor our performance, such that ad hoc requests for information become much less frequent. If a risk to the delivery of an output is identified, there would be an agreed process by which ORR could request additional and relevant information from Network Rail.

Flexibility

In CP5, ORR determined (and Network Rail accepted) a number of outputs that Network Rail will not meet. The nature of our business means that there is inherent uncertainty and complexity in forecasting expected outputs, particularly over an entire control period. In CP6 we believe that the outputs framework should be more flexible, allowing, for example, for:

- changes to outputs arising as a result of new circumstances or amended customer requirements
- different regulatory approaches to be taken in relation to each scorecard output
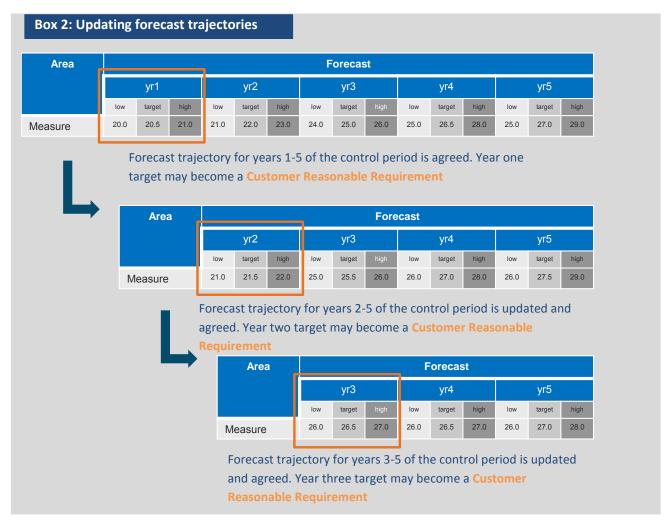- changes in the number, role or responsibilities of individual routes.

These issues are explored in more detail below.

<u>Change control</u>

Forecasts within our scorecards should be updated annually as part of our business planning process, to ensure that we are responsive to customer and funder needs. Scorecard output targets should be sufficiently flexible (both upwards and downwards) to:

- respond to changes in customer priorities over a control period
- respond to a change in circumstances compared to that assumed in our initial forecasting
- acknowledge our actual performance to date.

The forecast trajectories for the remainder of the control period would be updated every year, in consultation with our customers and stakeholders, with some forecasts for the year ahead becoming Customer Reasonable Requirements (although not all, as our scorecards may also include measures of internal company performance). Box 2 sets out how we believe this process would work throughout a control period.

Box 2: Updating forecast trajectories

Area	Forecast														
	yr1			yr2			yr3			yr4			yr5		
	low	target	high	low	target	high	low	target	high	low	target	high	low	target	high
Measure	20.0	20.5	21.0	21.0	22.0	23.0	24.0	25.0	26.0	25.0	26.5	28.0	25.0	27.0	29.0

Forecast trajectory for years 1-5 of the control period is agreed. Year one target may become a **Customer Reasonable Requirement**

Area	Forecast											
	yr2			yr3			yr4			yr5		
	low	target	high	low	target	high	low	target	high	low	target	high
Measure	21.0	21.5	22.0	25.0	25.5	26.0	26.0	27.0	28.0	26.0	27.5	29.0

Forecast trajectory for years 2-5 of the control period is updated and agreed. Year two target may become a **Customer Reasonable Requirement**

Area	Forecast								
	yr3			yr4			yr5		
	low	target	high	low	target	high	low	target	high
Measure	26.0	26.5	27.0	26.0	26.5	27.0	26.0	27.0	28.0

Forecast trajectory for years 3-5 of the control period is updated and agreed. Year three target may become a **Customer Reasonable Requirement**

To credibly flex targets (particularly downwards) we will need to transparently demonstrate why this is appropriate and that we have customer and funder support to do so. Action plans may also need to be updated in order to reflect progress to date and changes to scorecard output prioritisation and

level. We will produce some worked examples for different scenarios to demonstrate how change control could work in practice. As with the initial development of the CP6 scorecards, we believe that ORR will have a key role to play in circumstances where we are not able to agree with our customers and/or funders a change to the scorecards.

<u>Differing regulatory approaches to outputs</u>

Our scorecards will need to include the outputs that are important to our stakeholders as well as longer-term industry and funder aims. These outputs will cover a range of areas and we believe that each scorecard output should have defined regulatory status so that each area is regulated in the most appropriate way and so that it would be very clear when ORR might consider some sort of intervention. For example, some outputs may have formal targets, others may have minimum thresholds of required performance or ranges of acceptable performance to reflect the uncertainty in forecasting targets. Other output areas may have no formal targets or thresholds recognising that we have wider legal obligations (for example in relation to safety) or that there are areas that pertain specifically to additional internal management priorities (for example in relation to people measures).

We will further our thinking in this area in line with the timeframe to develop the CP6 scorecard so that we engage with our customers and funders to devise not only the measures and trajectory targets, but also propose the regulatory status of each scorecard output.

<u>Organisational change</u>

As discussed in our response to the implementing route-level regulation working paper, Network Rail may, for cost or operational reasons, wish to change route boundaries or the number of routes during CP6. The CP6 regulatory framework needs to support such changes and should not hinder Network Rail's ability to make changes to its business in order to improve financial or operational performance. A recent example of this is that at the time of the PR13 Final Determination we had a ten-route structure in place. ORR's cost and income assumptions were presented on that basis. For operational reasons, this structure subsequently changed to eight routes. However, we are required to continue to report against the PR13 Final Determination assumptions which is inconsistent with the way in which the business now operates. This is both confusing and creates an unnecessary reporting burden. We are concerned that adjusting results for regulatory reporting purposes means that the reported data will not be recognisable to each route / function and increases the risk of data integrity issues arising.

Any changes to route boundaries or the number of routes will be done transparently and the effect on route scorecards and their outputs would need to be fully explained. Network Rail may also make changes to the ownership of certain outputs such that they move from being a route-owned output to a System Operator output and vice versa. Again, any such changes will be entirely transparent.

3. Route level regulation

National versus route-level outputs

As described above, route scorecards will be developed for Scotland and each of Network Rail's geographic routes in England & Wales and also for the newly created 'virtual route' for rail freight and national passenger operators.

Role of government in facilitating route level regulation

We agree that any requirements within the England & Wales HLOS and the Scotland HLOS will need to be articulated such that variation at route level is recognised and also so that comparisons between routes will be possible.

In addition to the role of government in setting the HLOS and SoFA, it has a key role in setting targets and agreeing deliverables for franchised TOCs. As soon as we can, we want to see our scorecard output targets becoming aligned with our customers' targets to support our focus on our customers' priorities. It makes sense for all parts of the railway to be pulling in the same direction. We are keen to work with DfT and Transport Scotland to explore how franchise targets can be better aligned with Network Rail targets and we would welcome ORR support in progressing these discussions.

Ongoing monitoring and enforcement

Reporting and Monitoring

We have developed our internal reporting framework over the first two years of CP5 to enable our Board and Executive Committee to more effectively monitor performance against key priority areas and hold the business to account through our scorecards. Our internal reporting framework for CP6 will continue to be based on scorecards, and the way in which we publicly report on our performance will mirror this, in order to clearly demonstrate our progress in delivering the priorities of our customers and funders.

As discussed in our response to the implementing route-level regulation working paper, we believe that were the current regulatory reporting and monitoring framework rolled out across a route-based model, there could be significant implications from a cost, headcount and management distraction perspective. The framework needs to recognise, therefore, the importance of ongoing customer engagement and encourage a more prioritised risk-based approach by ORR. We would expect this to lead to a slimmer, more strategic regulator rather than an enlargement of ORR's current reporting and monitoring activity.

We consider that there is scope to reduce the scale of Network Rail's formal reporting (for example the annual Regulatory Accounts and Annual Return). Instead, more data could be provided as supporting material to ORR rather than through formal publications. This would significantly streamline regulatory reporting.

We believe it is vital that there is a clear line of sight from our internal and external reporting to the public reporting on Network Rail's performance by ORR. This ensures a consistent and coherent narrative to the industry and the public. We therefore think that ORR's reporting should be focussed

at route level, rather than national level so that there is a much clearer picture of Network Rail's performance.

In order to report and monitor in a consistent way, we will need to agree with ORR how route and System Operator performance will be assessed from a regulatory perspective. The current outputs framework is based on a series of specific outputs that are assessed individually. Instead, we believe that there needs to be a balanced scorecard approach, with assessment of them together (rather than individually) at a scorecard level. The assessment should be based on our customers' and stakeholders' views rather than data interrogation by ORR against individual measures.

Benchmarking

To run our business effectively we have to be able to:

- identify where improvements are required
- analyse how high performance levels are achieved
- use this information to improve performance.

We need to be able to benchmark our routes to help us to achieve these objectives. Ensuring there is some consistency in measures across route scorecards will facilitate this process. This will also provide our customers with meaningful comparisons of levels of performance across routes to enable them to hold us to account to deliver our scorecards. We have started work to look at the practical use of benchmarking between routes, although this is still in its relative infancy. Consistent with the significant issues that we have previously encountered in respect of international benchmarking comparisons, we are also mindful of the need to normalise structural differences between routes. As with all benchmarking, it will be important to understand and normalise any structural differences between routes to allow for meaningful comparison.

Enforcement

We consider that a much broader discussion is required on the role of enforcement in CP6. In the last decade, ORR has imposed fines on Network Rail in excess of £70 million. This is money that has effectively been extracted from the railway and could otherwise have been spent on delivering end user benefits. We believe that this form of regulatory enforcement is now inappropriate particularly following the reclassification of Network Rail in September 2014. We note that NHS England, and the regulators NHS Improvement and the Care Quality Commission announced in July 2016 that fines for missing targets in certain areas have been scrapped in order to relieve pressure on NHS finances. Fines have been replaced with trust-specific incentives linked to performance improvement trajectories.

We consider that the resolution of issues should, in the first instance, be driven by Network Rail working with our customers and funders. We advocate a greater reliance on the role of regulatory reporting to transparently highlight issues. We firmly believe that the resultant reputational impact is a strong driver of behaviour alongside incentivising employees through links to elements of remuneration linked to scorecard performance.

We are keen to review, with ORR, the interpretation of licence breaches, particularly for the non-delivery of outputs, to explore options for the most appropriate course of action. Enforcement should

be used as a backstop if we are actively disregarding the conditions of our network licence or abusing our monopoly position.

We consider that the change to the regulatory framework in CP6 may mean it is prudent to review whether any changes to our network licence are required. We will work with ORR to decide whether this is necessary.

The role of customer and end-user engagement

Network Rail must become closer to our customers (the TOCs and FOCs) and it is our responsibility to ensure that we engage with our customers in a meaningful and collaborative way.

We will continue to evolve and develop the customer engagement process throughout CP5 but we need to be realistic about what can be achieved through this periodic review. There are limited industry resources and timing constraints which may mean that the engagement process is not fully developed by CP6. We note that in other regulated industries (notably water and aviation) the process to embed customer engagement took place over more than one control period, and indeed, continues to evolve.

With regard to end users, it is important that the way we measure the performance against our scorecard objectives realistically reflects the end user experience. The relationship with end users is owned, not by Network Rail, but by TOCs and FOCs. We therefore believe that the engagement process with end users should be led and owned by TOCs and FOCs and that they will represent the end users in the determination of priorities. By way of example, the customer engagement to develop the 2015/16 route scorecards led to route-specific metrics that are a better reflection of what TOCs believe is important to their customers – such as delay minutes and right time arrival.

4. Central Network Rail activity

System Operator

We think it is important for the Network Rail System Operator to have its own regulated outputs. These outputs should be based on scorecard measures that are informed by customers (routes and train operators). Details and potential areas of inclusion are still likely to evolve with work to clarify the scope and remit of the System Operator forming part of our transformation strategy. We would expect to work closely with industry and ORR over the next 12 months in order to identify a suite of measures that is appropriate to monitor the activities that the System Operator and its customers consider are the most important. Initial discussions suggest that qualitative measures are likely to be of more practical use than quantitative measures. We believe that route activity within system operation should be reported at route level, whereas the System Operator functional scorecard will be focused on the outputs of the network-wide function.

System Operator regulation should be capable of allowing the System Operator to evolve in CP6 and be flexible in size and shape. Just as Network Rail should have flexibility to move resources from one route to another – or other national activities – it should also have flexibility to move resources between a route and the System Operator where there is a more efficient and effective way of working available.

Some of the System Operator's activity requires a clear level of delivery and customer service. However these requirements are, in many areas of activity, set out in contracts and codes and while compliance could be reported, the outputs themselves are relatively fixed. System Operator regulation could focus on encouraging the right behaviours, performance and process improvements, and effective incentives to drive quality customer relationships and efficient use of the infrastructure.

We are developing the proposed structure and outputs of the System Operator function in the 'System Operator: Fit for the Future' programme and will share these with ORR in due course. Further information is contained within our response of 24 August 2016 to ORR's PR18 System Operator working papers.

Central core

Network Rail may create a scorecard for our route services directorate and other areas of the central core in order to articulate the priorities of the central core and incentivise our employees in the same way that route and system operator employees are incentivised. Our thinking in this area will be developed through the PR18 process. However, we agree with the working paper that we do not see a case for setting regulated outputs for the central core as the activities of our central functions support the delivery of our route objectives.

5. Potential outputs

Introduction

Section 4 of the working paper discusses output areas and possible metrics themselves, alongside asking for responses on the level of disaggregation necessary for each output area. Whilst we see this as useful in order to prompt discussion, we are currently developing proposals for our CP6 scorecards and believe that the outputs areas will be driven by our customers' and funders' priorities, as reflected in our scorecards. In addition, the work that NTF is conducting to derive cross-industry valued metrics for particular output categories should form the basis for setting the appropriate metrics. Notwithstanding this, we set out initial comments relating to the specific output areas in the working paper below. In line with the key points of our response above these comments focus on our emerging thoughts in two areas:

i)   Do we believe the measure should be included in our scorecards?
ii)   What do we believe the regulatory status of the measure should be – i.e. should the measure be a regulated output?

Health & safety

Safety is key to the success of Network Rail and our focus on safety means that we believe this must form a core part of our scorecards. Whilst we firmly believe that safety is integral to scorecards, we agree with the working paper that Network Rail should not be accountable both under health and safety legislation and separately under the economic regulatory framework, therefore we would expect this area to have no formal regulatory status.

Network Rail is committed to promoting and protecting the health and wellbeing of all our employees and we will continue to monitor, report and improve awareness and understanding of key

occupational health risks. These are internal measures and our emerging views are that they would not be on our scorecards and we would not expect any of them to have regulatory status.

Sustainable development

In our CP5 Delivery Plan we committed to developing a range of sustainable development key performance indicators (KPIs) to report against in CP5. These KPIs include environmental, workforce and community measures and we have reported against this in our Annual Return submissions for CP5. In addition, ORR's CP5 Final Determination set out a number of environmental indicators. We believe that sustainable development is much broader than our environmental impact and should reflect our own workforce and how the rail industry connects with its communities. We will therefore continue to monitor performance and publically report against our KPIs in CP6.

As we work with customers and other stakeholders to develop our CP6 scorecards, we will agree how sustainable development fits into our scorecard priorities. The treatment of sustainable development from a regulatory perspective requires further work and we will develop our thinking in this area alongside our stakeholders and ORR throughout the periodic review process.

Environmental and sustainable development targets are integral to rail franchise agreements. These targets are typically set at levels that differ from Network Rail's KPIs. We believe that, as an industry, we will achieve environmental and sustainable development targets most effectively if we are working with our stakeholders on a consistent basis. Therefore, any outputs set should be consistent across industry. We will work with DfT and Transport Scotland to understand how the industry can best align on sustainable development targets.

Asset management capability   `

We recognise the importance of high quality management of our assets. Management of the railway infrastructure is fundamentally about delivering the outputs valued by our customers, funders and other key stakeholders in a sustainable way and our national scorecard therefore contains two measures for asset management; the Composite Reliability Index (CRI) and the delivery of seven key renewals volumes. The CRI is a measure of the short-term condition and performance of our assets including track, signalling, points, electrification, telecoms, buildings, structures and earthworks. Our continued focus on this area over successive years has led to the best ever reliability levels of our assets and we will continue to monitor and report on our reliability performance. The seven key volumes metric measures delivery against budget of the seven key renewals volumes. Asset management is crucial to enabling devolved route businesses to make sound risk-based decisions and therefore will be a key component of our route scorecards in CP6 and we will work with customers, funders and ORR to derive the best way to represent this area.

In CP5, we have undertaken a number of initiatives to improve our asset management capability as demonstrated by assessment through the Asset Management Excellence Model (AMEM). We need to review whether any changes are needed to the measure that we currently use. In CP6 we will measure capability on a route-by-route basis and will look for opportunities to benchmark across routes to facilitate the sharing of best practice. We do not believe that the output of such assessment should be included on our scorecards or have regulatory status.

Asset data quality is currently assessed using confidence grading of data reliability. We propose to continue to assure ourselves of the quality of our asset data at a network-wide level and, in addition,

to conduct route level risk-based assessments of governance. These assessments will make use of leading indicators to predict and prevent data quality risk. We do not foresee asset data quality being a scorecard measure.

Our Technical Authority (TA) within our Safety, Technical and Engineering (STE) function has set out well developed asset policies and a strong governance framework. ORR reviews our compliance with these asset policies and seeks assurance of the governance arrangement we have through its own assurance and by using independent reporters. We believe that the obligation to maintain asset capability is already addressed though our existing network licence requirements. For example, Licence Condition 1.20 obliges Network Rail to maintain 'appropriate, accurate and readily accessible information about the relevant assets, including their condition, capability and capacity' – and as such it might be reasonably inferred that this licence condition already obliges Network Rail to maintain accurate information about the capability of the network such that a specific output obligation is superfluous to requirements.

In conclusion, while asset management is a fundamental priority for us and will continue to be included on our route scorecards, we need to consider (with ORR) whether this area should have regulatory status beyond regulation through our network licence and the assurance of our internal processes and governance.

Network operation

The System Operator section of our working paper response sets out our current thinking in relation to System Operator regulation more generally and our response to Working Paper 3 contains further details.

We agree with the working paper that any outputs in this area will be system operation level outputs, unless our routes are accountable for the specific activity in question. We would expect to work closely with industry and ORR over the next 12 months in order to identify a suite of measures that is appropriate to monitor the activities that the System Operator and its customers (routes and train operators) consider are the most important. Initial discussions suggest that qualitative measures are likely to be of more practical use than quantitative. We will then work to establish the agreed regulatory status of the System Operator scorecard outputs.

Enhancements

The outputs framework should support the core principles set out in the Memorandum of Understanding between Network Rail and DfT. Joint decision points between the funder and Network Rail will make sure there is clarity of the commitments being made as schemes progress through the project lifecycle from early stage planning, to development, to design and ultimately to delivery. We believe these principles should be applied to all enhancements, irrespective of the funder, given that it represents best practice.

While we agree with the working paper that any scorecard output relating to enhancements is likely to be focused on milestones, the approach will require a more flexible framework that facilitates a 'pipeline' process for the enhancements portfolio with the ability to implement change control on programmes and projects in and out of the pipeline at these key stage gateways. These gateways are stop/go points and it could be decided that projects do not proceed to the next stage of the lifecycle if they are not value for money, affordable or deliverable.

It is envisaged that outputs, timescales and funding would be agreed stage by stage and the outputs framework would need to be designed to facilitate this approach.

Network performance (passenger)

Network performance is a crucial measure for our customers and will be a key component of our route scorecards. We agree with the view outlined in the working paper that PPM is no longer a suitable measure of performance and that it is likely that alternative metrics to measure performance, that more accurately reflect passenger experience, should be devised for CP6. We welcome the fact that the working paper acknowledges and is supportive of the work that NTF has led on developing new metrics.

We do not see any need for a national target (although national performance will continue to be reported). Delivery of performance will be managed at a route level, and therefore should be regulated at a route level. With differing customer priorities across different routes, we would expect to have a different emphasis on each metric in different routes. Our scorecard performance outputs should align to franchise commitments on performance and we will need to work with DfT to address the issue of variances between scorecard outputs and franchise commitments to ensure industry aligned targets.

Given the uncertainty in forecasting levels of performance in a complex industry with numerous contributing factors, we believe the regulatory treatment of passenger performance should not focus on point targets, but should reflect this uncertainty. Setting realistically achievable performance target ranges will better motivate the industry to work together effectively. This would avoid the situation we have faced in CP5 whereby targets were set (and we agreed to) that were too ambitious and challenging.

Network performance (freight)

With the creation of the freight and national passenger operators' route (the 'virtual route'), it is even more relevant to measure freight performance on a national basis so that performance measurement aligns to our organisational structure. We agree that the national level FDM metric should remain because it is well understood by the industry and it is effective.

To ensure routes continue to focus on their freight operator customers, each route will have its own freight plan alongside a freight and national passenger operator route plan. We have recently produced a disaggregated version of FDM for routes which requires further refinement throughout CP5, but we would advocate the use of this measure on route scorecards, rather than another metric being introduced, to ensure continuity and a common basis of understanding across geographic routes and the virtual route.

Network Availability

In CP5, our Network Availability performance is primarily measured using the Possession Disruption Index (PDI). The PDI measures quantify the impact of planned engineering work on passengers (PDI-P) and freight traffic (PDI-F), but are complex measures to understand, do not drive our business planning decisions and are not used by our customers. PDI is also only recorded at a national level.

We are already fully incentivised to optimise the availability of the network through the Schedule 4 regime. This regime drives our route businesses to plan engineering possessions with minimum disruption to train operators. Schedule 4 works effectively at a route level and route teams are already fully engaged with this regime because there is a direct link to their performance targets.

Beyond Schedule 4, the NTF working group on network availability has not identified a potential replacement measure that would fit all requirements – i.e. a measure that is easily understood, relates directly to routes, drives positive behaviours, encourages collaboration within the industry and supports optimised possession planning.

We are finalising our "Access Framework Principles" which are a set of planning guidelines, and a governance structure to support it, that allows all of those involved in planning access to understand when is the most optimal time to close the railway for engineering work based on service demand. These principles are being developed in conjunction with our customers and are based on a set of operator rules as to what is acceptable in terms of disruption to passenger flows, and limits of access on routes. The objectives of the access framework are to:

- establish access principles which Network Rail and operators can plan work within before access has been requested and finalised
- incentivise advance planning within operators' preferred access options, minimising disruption and reducing the need to approach operators
- reduce assumptions around acceptable access, thereby reducing the potential of operators disputing the access
- increase the certainty of delivering the intended work by understanding the access constraints.

These factors combined mean that we do not believe that Network Availability should be on our scorecards or that there should be a specific measure.

Network Capacity

Initial discussions suggest that qualitative measures are likely to be of more practical use than quantitative measures. While we note, and will continue to collaboratively support, the work being carried out by TRL (Transport Research Laboratory) on the subject of capacity measures, we recognise the internationally accepted limitations of simple numerical attempts to define a concept as complex as railway infrastructure capacity (UIC Leaflet 406).

On a given infrastructure, capacity is based on the interdependencies existing between the number of trains (per time interval, e.g. trains per hour), the average speed, the stability (i.e. resilience to perturbation), and the heterogeneity of services. It is therefore extremely difficult to construct an effective numerical output that would be suitable for regulatory purposes. We believe that it would be preferable to have no output than one that is ineffective and may lead to inappropriate decisions being taken.

We believe that route activity within system operation should be reported at route level, whereas the System Operator functional scorecard will be focused on the outputs of the network-wide function.

Network Capability

The capability of our network is assessed by way of reference to track mileage and layout, line speed, gauge, route availability and electrification type. Given the identification of previous discrepancies between the actual and published capability of the network we recognise that, in the absence of other oversight, a network capability output may provide external stakeholders with assurance that Network Rail cannot reduce the capability of the network without going through the formal industry processes.

Notwithstanding this, and as outlined in ORR's working paper the network capability output is rather different to other outputs in that it obliges Network Rail to maintain capability rather than drive any specific improvement and, as such, we do not consider that network capability should be a scorecard output.

We believe that the obligation to maintain network capability is already addressed though our existing network licence requirements. For example, Licence Condition 1.20 obliges Network Rail to maintain 'appropriate, accurate and readily accessible information about the relevant assets, including their condition, capability and capacity' – and as such it might be reasonably inferred that this licence condition already obliges Network Rail to maintain accurate information about the capability of the network such that a specific output obligation is superfluous to requirements.

The Network Code then obliges Network Rail to go through formal network change processes in the event that we wish to alter the capability of the network. To ensure transparency, information about network changes is published on our website (and is also currently summarised in the Annual Return).

Asset condition

As noted in ORR's working papers, station condition, as measured by the Station Stewardship Measure (SSM), is the only asset for which there is a regulated output in CP5. However, the 'value' of this output as a measure of Network Rail's performance has been somewhat diluted in recent years as a number of stations that we own are now managed and maintained by train operating companies (notably Abellio Greater Anglia and Virgin Trains East Coast) under full repair and renewal lease arrangements. In addition Network Rail is currently reviewing its ongoing ownership of its managed stations which could result in future changes to the current operation model. Any future measure of station condition would need to be sufficiently flexible such that it only captured those stations for which Network Rail is accountable for maintaining.

In considering whether it is necessary or appropriate to set output measures covering the condition of other assets it should be noted that our own Composite Reliability Index (CRI) already forms a key measure of our performance as detailed on our corporate and route scorecards. The CRI measures the short-term condition and performance of our assets including track, signalling, points, electrification, telecoms, buildings, structures and earthworks and is a key driver of overall network performance. In addition the Composite Sustainability Index measures the longer term sustainability of key assets. We expect that a measure of asset performance and reliability will continue to form a key element of our CP6 route scorecards such that it should not be necessary for ORR to set specific outputs relating to asset condition.

Financial performance

Financial performance is included in our CP5 scorecards and will continue to be a priority within our CP6 scorecards. We will continue to report financial performance at a route level through our route scorecards. Our scorecards will form the fundamental basis by which we will monitor and report on our financial performance.

Network Rail provides a vast amount of information on its financial performance each year – much of this is at a route-level – to allow robust regulatory assessment. We agree with the working paper that publication of detailed reports on our financial performance and efficiency strongly incentivises us to focus on financial performance. We therefore believe that the regulatory treatment of financial performance should be consistent with our scorecards and that ORR's approach should continue to focus on reporting and monitoring against our forecasted trajectory. This approach will allow us to concentrate on achieving the targets within our customer-focused scorecards. We do not believe that a change to the status of financial monitoring measures for CP6 will further increase the importance of these measures as they are already prioritised on our scorecards. We also consider that were Network Rail to fail to meet a financial performance target, enforcement action in relation to financial efficiency would have very limited impact beyond the existing reputational impact of the regulatory reporting framework.

We will develop our thinking further in our response to ORR's financial issues paper, which is expected to be issued in December 2016.

End user experience

Passenger satisfaction has been included as a measure on our national scorecard throughout CP5 and is measured through the National Rail Passenger Survey (NRPS), commissioned by independent body Transport Focus. The survey provides a network-wide picture of passenger satisfaction with rail travel.

The relationship with end users is owned, not by Network Rail, but by TOCs and FOCs. We therefore believe that the engagement process with end users should be led and owned by TOCs and FOCs and that they will represent the end users in the determination of priorities. By way of example, the customer engagement to develop the 2015/16 route scorecards led to route-specific metrics that are better reflection of what TOCs believe is important to their customers – such as delay minutes, right time arrival. The national scorecard reflects the aggregate results for local measures. In relation to freight end users, we believe that the volume of freight business is a better reflection of freight customer satisfaction than an intermittent freight customer survey.

We see network outcomes extending beyond passenger and freight end users. We have undertaken significant work with our lineside neighbours to determine how we can best work alongside them. We have developed a measure on our 2016/17 scorecard to monitor railway work complaints and we intend to monitor the impact of our work on our lineside neighbours over CP5. We have also committed to reducing the time that is takes us to close lineside neighbour complaints (and complaints about managed stations).

Our reputation is shaped by the performance of the rail industry as a whole as many passengers do not make a distinction between Britain's infrastructure and TOCs. We therefore do not think that end user experience should have regulatory status as this measure reflects end user views of satisfaction with rail travel which is a measure that is not wholly owned by Network Rail.

TOC/FOC customer experience

Customer satisfaction is an assessment of how well Network Rail engages with its customers; principally passenger and freight train operators. At the beginning of CP5, we identified the need to provide a more regular, route-based measure of customer satisfaction. We undertook the first Customer Service Maturity Measure (CSMM) assessment in January 2015.

We consider that it is important that a measure of customer satisfaction is included on our route and System Operator scorecards to assess their relationship with their customers. We believe each route and the System Operator should establish the metric that is most appropriate in collaboration with their customers. We do not think that customer satisfaction should have regulatory status as we are accountable directly to our customers and incentivised through our scorecard performance.

Rail Delivery Group

Response to:

ORR's Working Paper 4:
Outputs Framework

Date: 3 October 2016

Rail Delivery Group Response to ORR's Working Paper 4: Outputs Framework

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.

Introduction

1. We welcome the tone and purpose of the ORR working papers that are intended to facilitate a more dynamic process of industry engagement to support an iterative approach to developing policy. We believe the working groups we set up for PR18 link well with this more collaborative approach and are pleased with the constructive engagement they have provided.

2. The industry has already provided a full response to the initial PR18 consultation and many of the points we made in that are relevant to this response to Working Paper 4 (WP4). There has also been, and will continue to be, extensive industry engagement and discussion with ORR through the industry working groups and we envisage that they will provide a good means of developing the output framework for CP6 over the coming months.

3. We confirm that we are happy for this response to be published on the ORR website.

Overall framework and industry engagement

4. The industry response to the initial PR18 consultation document has already given strong support to the aim of increasing the involvement of train operators (TOCs and FOCs) and other local stakeholders in setting Network Rail Routes' outputs and for the process to include a clear focus on passenger and freight user requirements.

5. The day-to-day relationship and communication between Network Rail and TOCs/FOCs is key to an efficient and effective railway. Network Rail's devolution programme is designed to strengthen that relationship and increase the focus on customers and we strongly believe the output framework should be aligned with this. Thus it is important to agree industry engagement processes for agreeing outputs and monitoring arrangements first, and then assess the appropriate regulatory framework that best supports that. We would want to avoid a situation where the regulatory process was driving the engagement as that would imply a focus on the ORR rather than on customers and end users.

6. An important starting point is for Network Rail Routes and the Network Rail System Operator (NRSO) function to work with customers and funders to develop priorities and end user outcomes for CP6. This would then form the basis of Route and NRSO scorecards.

7. We also believe that route-based scorecards should form a key component in the development of business plans and in ongoing monitoring of performance. The work done on scorecards to date is a useful start but some train operators want there to be more engagement in the process. Network Rail acknowledges that further work is required to improve engagement and create route-based action plans to support the scorecards.

8. We would like to see incentives and output targets aligned across the industry. By that we mean that targets set for Network Rail at PR18 are consistent with targets or commitments set for train operators in franchise agreements.

End-user engagement

9. The output framework should support a strong focus on the needs of passengers and freight users. We believe the primary means of reflecting end user views in the process of setting and delivering outputs is through passenger and freight train operators. Hence end-user engagement in developing scorecards should mainly be via TOCs and FOCs, supported by their user groups or focus groups as necessary. However, data from the national passenger satisfaction survey conducted by Transport Focus would be a key input to these discussions on end user requirements. We would also expect to see suitable measures from the survey included in Route scorecards.

Ongoing monitoring

10. The relationship and engagement between Network Rail and its customers is key to effective delivery of outcomes for end users and funders. Hence the regular meetings between a Route and TOCs/FOC, including minority operators on a Route, will be important in monitoring delivery of scorecards and action plans, and resolving issues. The regulatory framework should support this and not cause the importance of that communication to be lessened.

11. Transparent publication of the Route scorecards would help provide a focus on delivery, would be a means of keeping funders informed of progress and would be a stimulus to improved performance.

12. The status of outputs in the scorecards is likely to vary from measure to measure and vary from those that are indicators to others that are formal regulatory targets. We envisage that the content of scorecards will gradually develop throughout the current control period and as the requirements and plans for CP6 are developed.

13. The use of fines by the ORR on Network Rail is not considered to be effective or appropriate. As noted above, we think that much more emphasis should be placed on direct engagement of TOCs and FOCs with Network Rail and on reputational incentives. However, clearly some form of regulatory back-stop may be needed, probably including recovery plans that have been developed with input from TOCs/FOCs.

The need for flexibility and change control

14. The industry is in agreement that the output framework should be flexible in several regards, namely:
    a. the framework should allow changes to Routes, for example in terms of roles and responsibilities;
    b. the framework should allow for changes to outputs such as a change in customer requirements or a change in franchise requirements;
    c. the framework should allow for changes in the enhancement programme as a result of the more flexible approach to the funding and treatment of enhancements at a periodic review described in ORR's Working Paper 5.
    d. the framework should allow for other significant changes in circumstances and to recognise the uncertainty in forecasting some targets, and
    e. the framework should incorporate different regulatory approaches in relation to each scorecard output. For example, some outputs may have formal targets,

others may have minimum thresholds of required performance and others may have no formal targets or thresholds recognising that there are wider statutory duties (for example, in relation to safety).

15. An effective change control mechanism, including direct user endorsement and agreement from funders (for example, for franchise or enhancement project changes), can provide a means of supporting the flexibility described in the previous point. We propose that the change control process operates no more frequently than once per year.

Specific output measures

16. Chapter 4 of WP4 lists some potential outputs for CP6. There is a clear industry view that some of the current output measures are not fit for purpose, such as the network availability measures PDI-P and PDI-F, and so should be scrapped. There is also agreement that the measures should reflect end user outcomes as far as possible and that some will reflect network-wide issues, some would be at a Route level and others would be by TOC or FOC.

17. In terms of the detail and how the scorecards are established for CP6, we suggest that they are gradually developed as experience is gained from the use of the CP5 scorecards and as the requirements and plans for CP6 become clearer. The PR18 working group on outputs would be a good way of getting the necessary industry engagement in the development of measures and scorecards.

Timescales

18. The timeline between when guidelines for the route strategic business plans (RSBPs) are confirmed following the HLOS in June 2017 and when RSBPs have to be submitted in October 2017 looks to be too short. This is particularly the case given the level of engagement that will be needed between Network Rail's routes, their customers and end users. ORR proposes to put more emphasis on scrutinising a RSBP that has less engagement and buy-in from a Route's stakeholders. This supports the need for sufficient time to submit the RSBPs rather than this being cut short only to then spend the time for the additional ORR scrutiny. The industry would like to explore this further with ORR as it may be best to push back the RSBP submission dates slightly.

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Response to the ORR`s PR18 Working Paper 4: Outputs Framework

Thank you for the opportunity to respond to your *Working Paper 4 (WP4):Outputs Framework*. Set out below are some general points that we would wish the ORR to reflect on as well as some more specific points relating to the key themes and issues as set out in this latest working paper.

An outputs framework that works for Scotland`s railway

Scotland's railways play a vital role in supporting inclusive, sustainable economic growth across the country and the broader objectives as set out in the Scottish Government's Economic Strategy. These objectives are reflected in our transformative investment programme which is supporting record passenger numbers and service provision.

The success of Scotland's railways, however, generates its own challenges. The phenomenal growth in passenger numbers seen over the past 10 years is expected to continue - a trend that will require new and innovative approaches as we look to better manage the network and supporting the outcomes that we wish the railway to deliver. The framework for outputs chosen for PR18 will be crucial in this regard.

Key principles and objectives

The industry landscape has changed significantly since PR13 and it is vital that this is properly reflected in any framework for PR18. This includes Network Rail's reclassification, the changing nature of relationships between Government and Network Rail, further devolution, and, in a Scottish context, the emergence of the ScotRail Alliance. The primary focus must therefore be on ensuring that the outputs framework is challenging, deliverable and affordable but can ultimately reflect the needs of funders and customers. In doing so we must also draw upon our collective experiences around Network Rail's delivery during CP5.

We agree with the ORR`s position that the primary focus of funders, NR and train operators should be on outcomes. Our view is that in order to provide assurance of the delivery of agreed outcomes, the outputs' framework must have the flexibility to properly reflect the broad policy objectives that Scotland's railways support and the distinct markets served. A successful

outputs' framework must help to support behaviours within Network Rail and the broader industry that put the interests of customers at the heart of decision making, and provide strong incentives to reduce costs and improve efficiency.

We believe that all parties must have confidence in the integrity of the outputs' framework. Consequently, the outputs' framework must be challenging but also achievable and affordable; we see no benefit in setting the industry up to fail with targets that are impossible to meet within the likely resources available. The scale of regulatory reporting of outputs, targets and other measures set for Network Rail must be simple and proportionate and not detract from the ORR's ability to monitor and enforce delivery effectively or indeed undermine Network Rail's ability to deliver a high-performing railway.

The outputs' framework should also be sufficiently flexible to allow for changes to outputs, particularly given the new, more flexible approach to specifying enhancements projects that is expected. Clearly this will be a significant change from current arrangements and we would welcome further discussion with the ORR on this issue as PR18 progresses, particularly around the consequential requirements for change control processes in respect of outputs, targets and metrics.

In line with our Rail Freight Strategy published earlier this year, we are committed to exploring opportunities for the outputs' framework to better reflect the challenges faced by freight shippers in Scotland, including the recent losses of key markets. Accordingly, we are keen to explore all reasonable opportunities to strengthen Network Rail's incentives to support the growth in freight traffic across the country.

We also support the ORR`s approach not to set outputs in areas where existing legislation is in place, such as safety and the environment, in order to avoid placing Network Rail in a "double jeopardy" situation.

Route-level outputs and customer engagement

We note the potential implications for the outputs' framework arising from the general movement towards route level regulation, although the impacts will be stronger in England and Wales. Proper implementation and regulation is vital here, ensuring each route`s outputs can continue to properly reflect the priorities of its funders. Properly holding Network Rail to account, whether at the route level or at any residual System Operator or HQ function, for the outcomes they deliver for customers and funders will be vital.

We understand that this approach may limit the extent to which meaningful comparisons can be drawn against route performance and hence limit the scope for reputational incentives to drive up individual route performance. Again these risks can be managed through proper implementation and regulation with appropriate safeguards in place.

We note Network Rail`s creation of annual route-level scorecards and, drawing on our experience of the establishment of the 2016/17 Scotland Route scorecard, would call for greater engagement between individual Network Rail routes, funders, train operators and end-users in determining the outputs measured on the scorecard. It is vital that these scorecards command credibility amongst both funders and customers, provide the right incentives, and indeed drive the right behaviours.

Performance and System Utilisation

A challenging but achievable and affordable outputs' framework, complementing the delivery of broader targets and obligations contained within the ScotRail and Caledonian Sleeper franchise contracts, and that supports our rail freight strategy, will therefore be our priority.

The current set of regulatory outputs specified by the Scottish Government focused on incremental improvements across three areas for the whole of the Scottish Route:

- improvements in rail performance and reliability;
- reducing the journey times of services; and
- further increasing the capacity and capability of the rail network.

As indicated above, the approach to specifying enhancements is likely to change and this will require some additional flexibility within the outputs' framework. Nevertheless, Transport Scotland is currently minded to retain a specified set of output measures that can best promote whole system utilisation through improved performance, faster journey times, and the provision of additional capacity, although perhaps with a move towards more of a trajectory-based approach. This is something we will look to develop in partnership with the ORR and the industry in the lead up to the publication of the HLOS.

On performance measures, we broadly agree with the general industry consensus that existing performance metrics do not adequately reflect the impact of poor industry performance on rail users particularly in the passenger rail sector. We fully support the work being taken forward by the industry`s National Task Force (NTF) on refining performance metrics in a way that can better represent the passenger experience, reflecting passenger numbers and performance at all stations rather than only terminal stations. We are, however, keen to ensure that any changes to performance measures must be made in a way that ensures that appropriate historical and geographical comparisons of performance can still be made.

We welcome also the NTF`s acknowledgement that the passenger railway serves different markets and thus different performance metrics may be required for particular types of services e.g. high frequency metro services require a different approach towards performance measurement than long distance, lower-frequency rural services. This distinction is particularly relevant for the Scotland route which manages a broad range of services from high frequency urban commuter services into and out of the main cities to long distance rural services.

The processes and metrics used to incentivise improvements in journey times in Scotland during CP5 has fallen below our expectations and this is an area we are keen to revisit, particularly to ensure full and proper alignment with the commitments included within relevant franchise contracts.

Environmental sustainability is another area we are keen to develop further, particularly steps that can be taken within the outputs' framework to support decarbonisation of rail and increase the resilience of the infrastructure to climate change and the increasing levels and frequencies of weather impacts. This links closely to our recent experiences with flooding and storms and the resultant network disruption.

We agree with the proposed retention of the Freight Delivery Metric (FDM) for CP6 and would echo the broader industry`s satisfaction with this measure.

We note that although there are currently no output metrics for network capacity, the ORR has commissioned TRL to undertake work examining how network availability could be reasonably and reliably measured and regulated. Given the importance of extracting maximum utility from the network, we await the publication of this work with interest.

Central Network Rail Activity

We note the ORR's expectation to set some outputs for the system operator, particularly in areas which require a system-wide focus. We generally support the principles that have been set out but would encourage that any arrangements put in place need to be flexible enough to respond to any further structural changes, including further devolution of functions and responsibilities.

Financial Performance

Clearly this will be a critical area for the outputs' framework and something we would expect to see explored in more detail in subsequent consultations on the financial framework planned for later this year. At a strategic level, our view is that the current arrangements are insufficient and therefore it appears entirely sensible to consider alternative approaches. We look forward to discussing this with the ORR as the PR18 process develops.

I trust that you will find this response helpful. We do not require any of the content to remain confidential.

Yours sincerely,

Steven McMahon
Head of Rail Strategy & Funding

Consultation response

PR18 initial consultation

Working paper 4: Outputs Framework

Office of Road and Rail

September 2016

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Content

1. Introduction

1.1. The Urban Transport Group (UTG) represents the seven largest city region strategic transport bodies[1] in England, which, between them, serve over twenty million people in Greater Manchester, London, the Liverpool City Region, the North East Combined Authority area, South Yorkshire, the West Midlands conurbation and West Yorkshire. Nottingham City Council, the West of England Partnership and Strathclyde Partnership for Transport (SPT) are associate members of the UTG.

1.2. Our members plan, procure, provide and promote public transport, with the aim of delivering integrated public transport networks accessible to all.

1.3. This response supplements our submission to the main PR18 initial consultation document.

2. Response

Principles for a CP6 outputs framework (chapter 2)

What should an outputs framework achieve in CP6

2.1. We support the priorities highlighted by the ORR in paragraph 2.14 - "a network that is 'reliable', 'better used' and 'available'" – as well as its proposals for the outputs work to focus on: "improving the measurement of the performance delivered to passengers", " setting outputs at a route level" and "developing better output measures for the national system operator".

Potential criteria

2.2. We welcome the explicit reference in paragraph 2.19 to the desire to facilitate greater involvement by customers and local funders.

2.3. We also support the statement in paragraph 2.21 that the ORR "will be considering opportunities for simplification and ways to limit complexity". However, we feel that this objective is not always best achieved by concentrating on a smaller number of high level national outputs. An alternative approach would be to move towards a more open data approach, with a greater emphasis on collaboration and transparency. From the perspective of city region transport authorities, better access to a wider range of more disaggregate rail data would enable us to better hold Network Rail to account and to engage in constructive dialogue where appropriate. We note that the ORR has made a big push towards more open data in the rail sector but see that this receives very little attention in this working paper[2].

2.4. We welcome the clear distinction between outputs, indicators and enablers, as well as the suggestion, at subsequent stages in the paper that indicators can play an important role in holding Network Rail to account. This is certainly something that fits with our experience. We note the intention to move away from indicators being seen as a regulatory requirement but are sceptical that this information will continue to be collected, and more to the point, shared,

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[1] With the exception of Transport for London, these bodies were formally known as Passenger Transport Executives (PTEs) and the UTG was formerly known as the Passenger Transport Executive Group (*pteg*). In recent years, some PTEs have been abolished with their functions transferred onto successor bodies, such as Combined Authorities. The new name for our group reflects these changes.
[2] We didn't find any references in the document to the phrase "open data" or to the ORR's "Open Rail" initiative.

unless a degree of pressure continues to be applied by the ORR in the context of the outputs framework.

2.5. On the issue of the amount of effort that goes into producing monitoring information on the part of Network Rail (paragraphs 2.31 and 2.32) we do see a case for rationalising data requirements where these are of little value. However, it is important that in doing so we don't lose valuable continuity of time series data or spatial detail which can be vital to understand past performance and its reasons. We also agree with the ORR's view, expressed later in the paper, that much of the information requested by the ORR should be of value to Network Rail's management in its own right. As such, the marginal cost of making most of this information a regulatory requirement is likely to be low.

How will outputs be determined for CP6?

2.6. As stated in our response to the main consultation document, we welcome the suggestion that NR's funders, customers and stakeholders are expected to have, in future, a more central role in identifying what they want from Network Rail.

What could outputs look like?

2.7. We note the ORR's views in relation to the various trade-offs involved in choosing between single points and ranges, individual targets and baskets of measures, and whether to adopt a change control approach. We do not have a clear view on the best way forward but feel, at this point, that the various alternative ideas are worth exploring further.

Route-level regulation (chapter 3)

National v route-level outputs

2.8. The consultation document outlines some of the arguments for and against setting outputs (both in terms of the range of variables included and their level) at national versus route level. We largely agree with the ORR's analysis and support the approach suggested in paragraph 3.6 (namely: presumption in favour of maintaining comparable measurement of key outputs across routes; flexibility for routes to influence the levels at which targets should be set, for example in line with franchise targets; the ability to agree additional local output measures; a series of national performance measures where delivery at national level is particularly important).

2.9. We would add only one comment in relation to the availability of meaningful data at route level. The ORR suggests that this could be a barrier to route level outputs, at least in the short term. We feel that there is a risk of exaggerating the extent of this problem. In practice, much of the data required by the outputs framework is generated at a relatively fine spatial and temporal level, and then aggregated back up to fit some externally determined structure (for example, that set out in past outputs frameworks). In theory, the most disaggregate data available could be made openly available and then aggregated by different groups of stakeholders up to the level that best meets their needs.

On-going monitoring and enforcement

2.10. We note the ORR's points that the "act of transparently comparing performance between routes will itself provide a stimulus to improve performance via reputation" and that it will also enable a wider set of stakeholders, including local funders, to better hold Network Rail to account. These are arguments we have made for some time and we find it positive that the ORR is acknowledging them at the outset of PR18.

The role of customer and end-user engagement

2.11. The consultation document makes reference to approaches followed in other industries to increase customer and end-user engagement in the regulatory process. This is interesting information but it's unclear from the consultation document how successful these other approaches have been or how transferable they are likely to be to rail infrastructure. Taking the example of Ofgem's consumer panel of 80 'typical domestic consumers', we would expect a much larger sample to be required in a rail context given that train services are a far less uniform product. In practice, a representative sample may be difficult to achieve.

2.12. On the suggestion of route level stakeholder challenge forums (end of paragraph 3.22), we would note that this is a role many city region transport authorities (which are locally accountable through democratic processes) already play in a more or less formal way. We believe there could be benefits if this role were to be strengthened in future.

Potential outputs (chapter 4)

Network operation (timetabling and capacity)

2.13. This part of the consultation document focuses on Network Rail's timetabling capabilities, and its understanding and allocation of capacity. The ORR suggests that outputs in this area are more likely to be system operation level outputs (i.e., relating to Network Rail central system operator business unit) unless where routes may be accountable for the specific activity in question.

2.14. We feel this raises a broader question about the level at which different system operator functions should be best performed. Our view is that Routes will, at least in some cases, be better placed, both in terms of detailed local knowledge and engagement with local stakeholders, to lead on timetabling and capacity analysis and allocation. This may not always be the case but this question certainly deserves further discussion.

Network performance

2.15. We largely agree with the ORR's assessment of the need to review existing measures of performance "with a view to moving toward measures that better reflect the experience of passengers". In our response to the main consultation document we highlighted the need to employ a wider range of metrics of timetable quality and reliability, in particular relating to passengers travelling on connecting services, and that point applies equally here.

2.16. We agree that data on existing PPM and CaSL measures should continue to be collected for comparison purposes and to help understand trends (paragraph 4.39).

2.17. We broadly support the ORR's various proposals in paragraphs 4.41 and 4.42, which include the development of passenger weighted measures of performance and the measurement of of performance at intermediate stations. However, in our response to the initial consultation document we warn against potential perverse incentives from putting too much weight on passenger numbers whilst overlooking the wider socio-economic benefits of the services themselves. The same point applies to the use of proxies, such as revenue, as suggested in paragraph 4.43.

2.18. Bearing in mind the caveat in the previous paragraph, we are supportive of the idea of an additional route-based metric such as passenger-weighted delay minutes, and feel that this could be extended to individual TOCs, service groups, or even specific services.

Network capacity

Level of disaggregation (para 4.81)

2.19. We support the ORR's view that outputs (or indicators/enables) relating to capacity should be set at both route and system level. We agree that "routes are best placed to understand their local capacity constraints and issues and how these may be overcome", which is why we have questioned, earlier in this response, the assumption that Network Rail's central business unit should be the accountable body for the vast majority of system operator functions.

2.20. However, we would go one step further and argue that some capacity outputs may need to be set and monitored at an even more disaggregate level. Capacity is different to most other types of output in the sense that it is generally constrained by very specific bottlenecks. For example, measuring capacity on plain line sections would give a much larger figure than by concentrating on key stations and junctions. We would therefore advocate a more sophisticated and detailed approach, for example by looking at the number of train movements and passenger seats in/out/through key stations at peak times.

2.21. We are concerned by the statement in paragraph 4.82 that the ORR will share its work with the RDG's National Task Force whilst omitting other stakeholders. Although the NTF does a valuable job, we note that it is only representative of a sub-set of relevant stakeholders. Our members would therefore welcome early sight of any further work by the ORR in this area.

Network capability

2.22. On the question of whether outputs should be set for this activity, we feel that this provides more than just a "baseline against which to assess whether Network Rail has complied with its obligations" (paragraph 4.86). It is a key source of information for analysing network capacity and for understanding network performance. We would therefore support the ORR's suggestion that outputs should continue to be set in this area.

Asset condition

2.23. The condition of local rail stations is of great interest to all our members, and some of them are actively developing proposals for further devolution of responsibilities in this area. Determining asset condition, both at the business plan stage and at the point of transfer of ownership remains a key sticking point and we would therefore encourage the ORR to

maintain close oversight of this area. We would also be interested to learn more about Network Rail's on-going work on SSM+ (its new station stewardship measure) as it becomes available.

Financial performance

2.24. We agree with the ORR's analysis in paragraph 4.109, which suggests that an enhancement of the status of its financial monitoring measures to outputs or indicators would enable a more informed debate with stakeholders about NR's performance and its activities.

Network outcomes

2.25. We support the ORR's proposal to continue to set passenger satisfaction as an important indicator of the extent to which Network Rail's actions are affecting passenger experiences. At the same time, there are limitations to the inferences which can be drawn from average satisfaction data and we feel that more work could be done to develop complementary metrics. This could include surveys of infrequent/non-users or measures linked to socio-economic outcomes, such as a weighted indicator of jobs and other opportunities accessible by rail at different times of day.

Welsh Government Response - PR18 Working Paper 4: Outputs Framework

The Welsh Government welcomes the opportunity to comment on the ORR's proposals for the potential outputs framework for CP6 in the PR18 Working Paper.

The Welsh Government will be undertaking an ambitious series of transport projects in Wales during the next control period. We will for the first time be leading the specification and procurement of the next Wales and Borders franchise. We will also be seeking to make transformational improvements to public service transport provision, including rail, through the south Wales metro project.

It will be important for the ORR to consider how the outputs framework will take account of the aspirations and priorities of the Welsh Government through the geographic disaggregation of outputs. We also need the ORR to consider and to take account of our plans for the South Wales Metro area within Network Rail's Wales Route area and would welcome further discussion on this matter as our thinking around the detailed arrangements develops.

The Welsh Government supports better alignment of regulated outputs with high-level outcomes. The outcomes proposed by the ORR within the working paper are sensible, but there should be a cross-industry industry focus on achieving outcomes. These must reflect the requirements of end users as much as possible. Regulated outputs should be developed towards meeting these outcomes, with targets aligned with those set for train operators (for example, through franchising contracts). We would, therefore, like the ORR to reconsider including passenger satisfaction within the outputs framework - potentially through route scorecards.

We welcome the proposals to measure performance in terms of delays relative to the published timetable at all stations, rather than at terminus stations. We agree that this will better reflect the experience of end users.

The outputs framework must support greater transparency, with greater information available to all stakeholders. Route scorecards offer an opportunity to increase accountability and should reflect the wider customer base of Network Rail – such as 3rd party funders and local government aspirations. If these are to be included (in full or in part) within the regulated output framework, they must be subject to consistent engagement with stakeholders in terms of both their development and regular reporting requirements. The publication of management information and transparency around decision-making should are also necessary. Further, consideration should also be given towards developing and publishing route-based action plans to ensure the outputs set within the scorecard are achieved.

We strongly support the development of outputs that would maximise capacity, increase line speeds, and improve performance through activities such as timetabling. Network Rail should also be incentivised to improve the resilience of the network when carrying out maintenance and renewals. Outputs should also incentivise Network Rail to take ownership of scheme development and benefit forecasting, and the realisation of those benefits.

The outputs framework for the next control period should be flexible, with mechanisms put in place to allow outputs to be adjusted - subject to a robust process agreed by stakeholders, Network Rail and the regulator.

In particular, a robust process is needed in respect of enhancements. As one of the principal 'third party funders' for the GB rail network, we have experienced network rail enhancements schemes running over time, over budget, and with a disproportionate revenue risk to us as a funder. Arrangements need to be put in place to address this unsatisfactory position. Our view is that Network Rail should be equally held to account for its use of all public funding it receives, regardless of the source of funding.

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