

# ORR's Freight Customer Event

Welcome

# Introductions

John Larkinson, Chief Executive, ORR



# Agenda

Rail Freight update

Rail Reform

PR23

Safety

Close



# Rail Freight Update

Maggie Simpson

Director General – RFG

7 Oct 2021

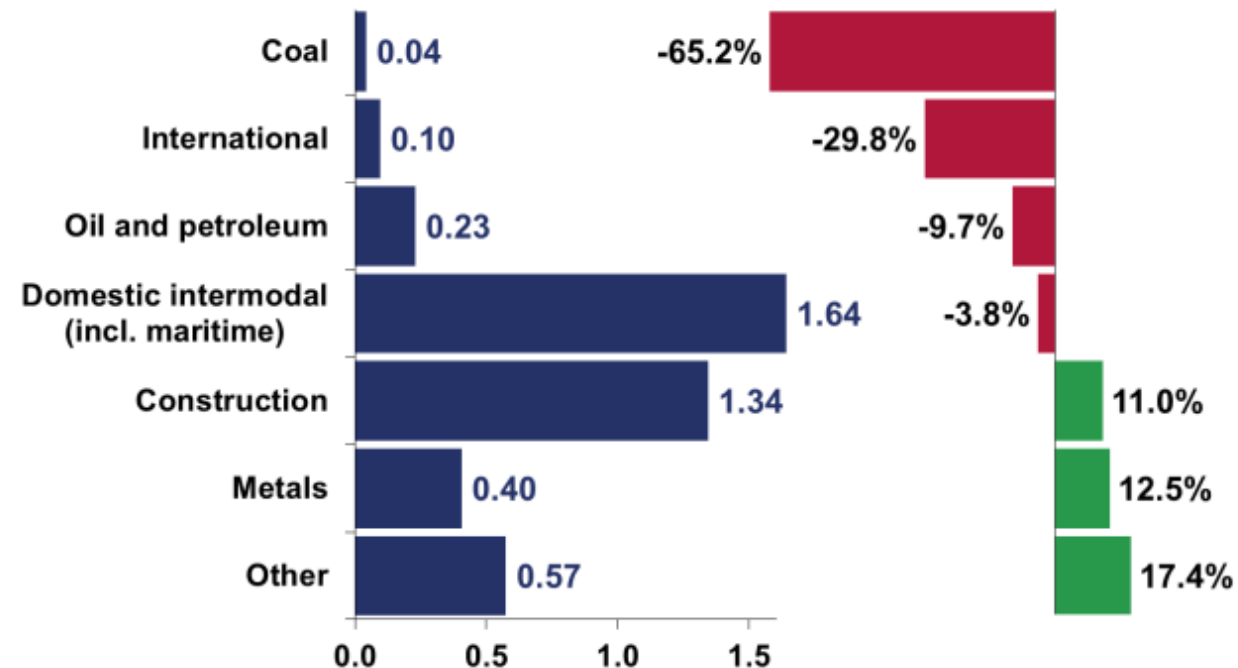
# Trade remains volatile



# Volumes ahead of pre COVID levels

**Figure 1.2: Freight moved volumes for other, metals and construction are higher than they were two years ago**

Freight moved (billion net tonne kilometres) by commodity, Great Britain, 2021-22 Q1 and change compared with 2019-20 Q1 (Table 1310)



# Strong support from Government

*We will deliver a net zero rail network by 2050, with sustained carbon reductions in rail along the way. Our ambition is to remove all diesel-only trains (passenger and freight) from the network by 2040*

*We will deliver an ambitious, sustainable, and cost effective programme of electrification guided by Network Rail's Traction Decarbonisation Network Strategy*

*We will introduce a rail freight growth target*

*We will incentivise the early take up of low carbon traction for rail freight*

# Delivering Growth

- Building relationships and partnerships, excellent customer service.
- Efficient and cost effective capacity on the network for new services.
- Stability and building confidence to encourage private sector to invest, including to decarbonise.
- Supportive outcome from rail reform and PR23



# Thank You



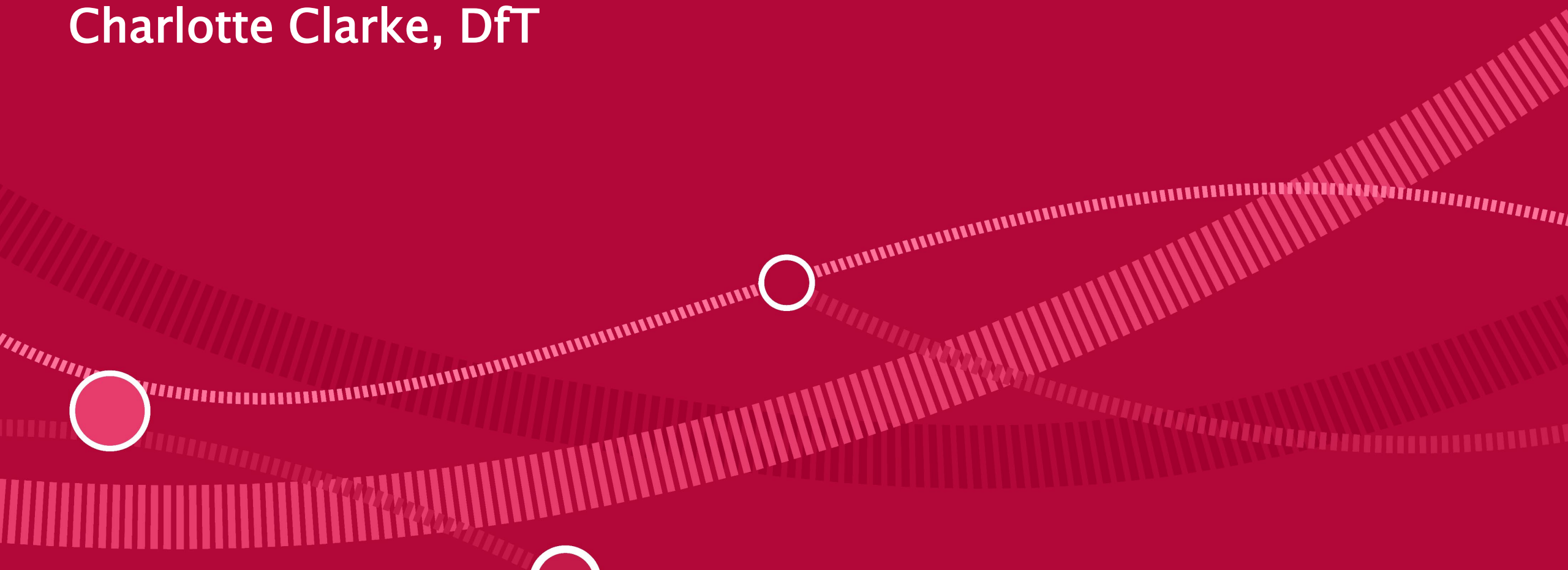
[maggie@rfg.org.uk](mailto:maggie@rfg.org.uk)

@railfreightuk



# Rail Reform

Charlotte Clarke, DfT





# Williams-Shapps Plan for Rail

ORR Annual Freight Customer Event

7<sup>th</sup> October 2021

Charlotte Clarke, Deputy Director – Rail Transformation Programme



# The most significant change for railways in 30 years – focused on delivering 10 key outcomes



Modern passenger experience



Greater control for local people and places



Retail revolution



Cleaner, greener railways



New way of working with the private sector



New offer for freight



Economic recovery and financially sustainable railways



Increased speed of delivery and efficient enhancements



Skilled, innovative workforce



Simpler industry structure

**The Great British Railways (GBR) will be the single guiding mind for the railway, owning the infrastructure, collecting fare revenue, running, and planning the network, and setting the timetable and most fares.**



# Government wants to strengthen the place of rail freight, creating new opportunities and giving confidence to customers and investors

---

## National co-ordination, greater opportunities for growth and strong safeguards



A statutory duty on GBR to promote rail freight to secure economic, environmental and social benefits for the nation - with a new freight growth target



Government issued guidance on priorities for rail freight at each funding settlement



A new national freight co-ordination team in GBR to act as a single point of contact for freight operators and customers - incorporating freight into new 30 year strategy



Critical safeguards to ensure fair access to the network – new rules based track access regime underpinned by legislation (and commitment to honour existing contracts)



Government will work with the market to consider vital enhancements that increase capacity for freight or help to grow the rail freight market



GBR will bring forward costed options to decarbonise the whole network to support net-zero ambitions



# The new access and charging framework needs to give the freight industry to confidence to invest

---

- ✓ Replacing the current complex and outdated access framework is a key opportunity to simplify the access and charging regime, ensuring it is more responsive to changing priorities and that it can help to drive innovation
  - e.g. we want GBR to be able to use the new access and charging framework to incentivise rail freight, in particular to help achieve net zero targets
- ✓ Future access contracts could also offer an opportunity to support growth of the rail freight market by including more flexible use of train paths and simpler ways of charging
- ✓ We are working with ORR, GBRTT and key representatives from the freight industry to establish what is absolutely critical in the existing framework that must be retained and what adds to the complexity and might no longer be required. Harnessing the expertise of the rail freight industry is critical to the success of this work. Extensive engagement this autumn
  - Formal consultation expected to launch in early 2022
- ✓ Government is committed to working with you to get this right and ensure the freight sector is able to realise the benefits of reform

**What do you see as the key opportunities emerging from reform for the rail freight sector (and critical success factors)?**

# GBRTT update

---



## Who are the Great British Railways transition team?

---

A distinct team, under the leadership of Andrew Haines, responsible for driving forward reforms and creating the railway's new guiding mind. GBRTT will collaborate with the industry to create GBR.

### **It will initially focus on:**

- Driving a new customer focus and revenue recovery efforts post-pandemic
- Building a whole industry approach and 30-year vision for rail to tackle cost and promoting efficiency
- Establishing a strategic freight unit to boost the sector

### **Other priorities will include:**

- Creating and delivering a simpler more sustainable railway that is centred around the needs and wants of the travelling public and freight users.
- Bringing together the railway and the public to set the groundwork for Great British Railways
- Building blocks for a transformed approach customer experience, stations, accessibility, contracts, fares and revenue
- Developing new ways of working that will achieve better results for the public and industry.
- Stimulating innovation through data and digital services





## The Transport Secretary has this week set out the core goals that will define GBR

---



Changing the culture of the railways, not simply creating a bigger version of Network Rail



Thinking like our customers, both passengers and freight, and putting them first



Growing the network and getting more people travelling



Making the railways easier to use, as part of the broader public transport network



Simplifying the sector to do things quicker, driving down costs and being more accountable



Having a can-do, not a can't do culture



Harnessing the best of the private sector



Playing a critical role in the national shift to net zero



## Eight teams aligned to an overarching purpose

---

Customer focus

Strategic freight

Passenger revenue &  
marketing

Industry  
commercial

Strategic planning

Business planning &  
financial management

Digital & data  
services unit

(GBRTT) Strategy &  
transformation

# Panel and audience discussion

John Larkinson, ORR

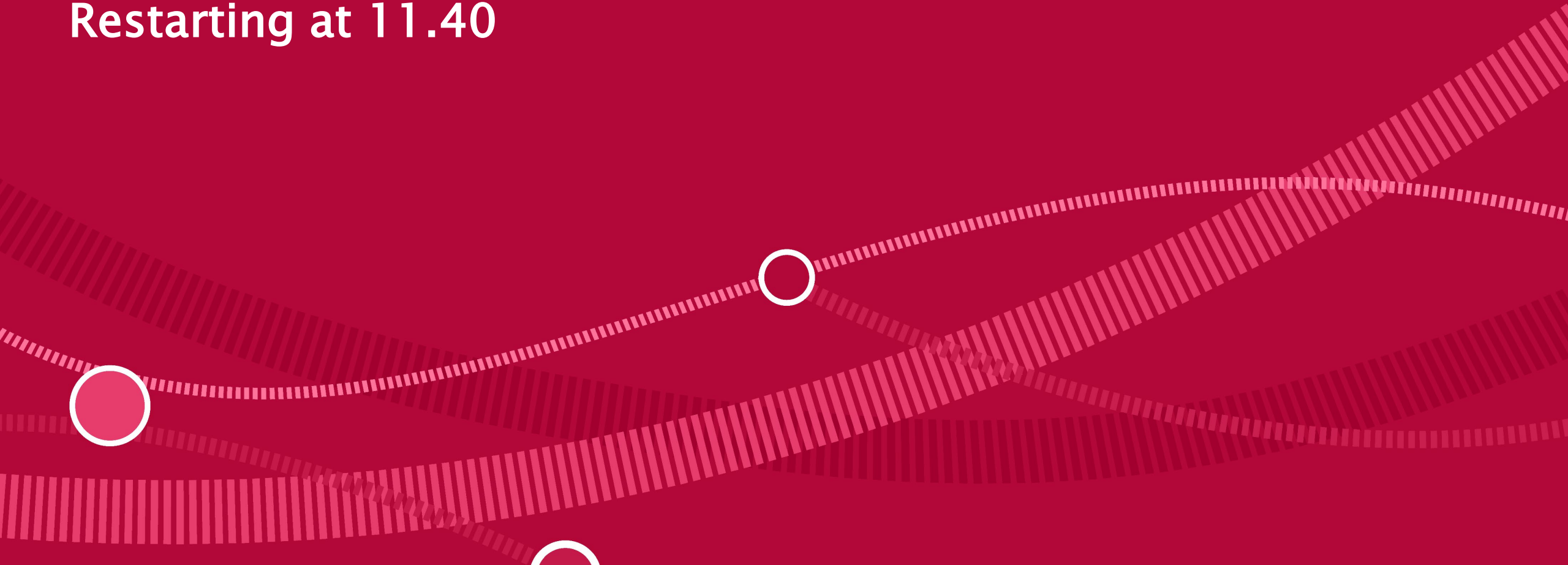
Maggie Simpson, RFG

Charlotte Clarke, DfT

Guy Bates, NR



**Coffee Break**  
Restarting at 11.40



# PR23 overview, charges & incentives, and discussion on freight priorities

Freight customer event

# What is PR23?

- PR23 is the periodic review of Network Rail covering the five years from 1 April 2024 to 31 March 2029, known as control period 7 or CP7).

## 1. Sets Network Rail funding and outputs

- Funders play key role in setting policy / delivery priorities and funding envelope
- ORR scrutinises NR's plans and helps provide assurance to funders and users that outputs are challenging yet deliverable

## 2. Sets how Network Rail will be held to account

- Ensures Network Rail is held to account for both its delivery to users/funders, and for its spending

## 3. Determines the framework for access charging and for the contractual performance regime

- Ensures transparency over cost and performance impact of decisions; and appropriate incentives towards efficiency and performance
- Ensures Network Rail is able to recover appropriate proportion of infrastructure costs from users

# ORR's focus



- PR23 will be a challenging settlement:
  - high levels of uncertainty
  - rail reform
  - wider fiscal constraints
- ORR will remain focussed on **core fundamentals**, and seek to maintain **stability**, so as to enable effective planning, delivery and long-term investment.

# PR23's key themes

## Adapting to change and uncertainty

- Reflect changing commercial dynamics, especially in the design of charges and incentives
- Build-in flexibility and resilience
- Prioritise certainty and stability where possible

## Supporting effective, integrated decision-making

- Ensure appropriate engagement with all stakeholders in the decision-making process
- Facilitate funders' decisions by providing quality assurance and advice
- Promote transparency

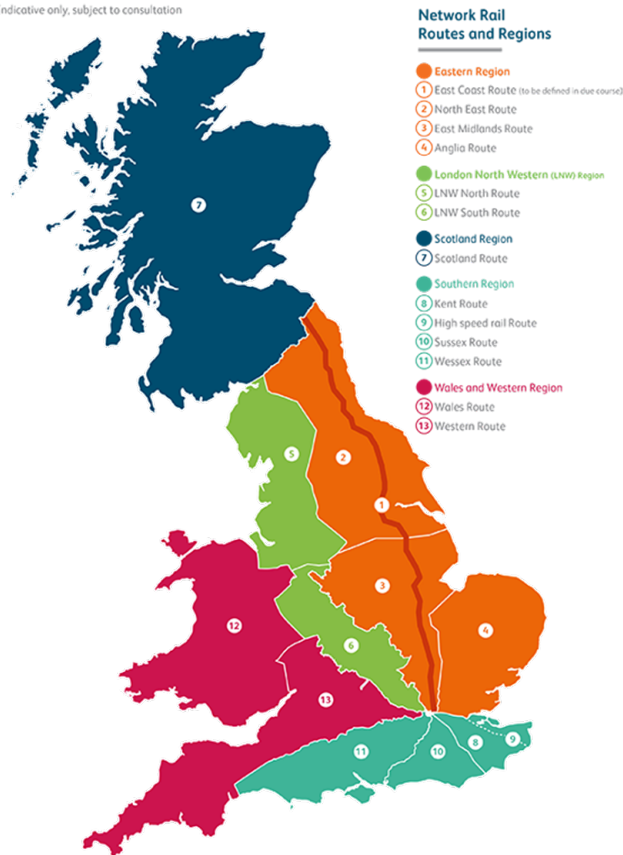
## Whole-industry approach

- Incentivise Network Rail to work in an integrated way with whole of industry
- Ensure future framework takes account of interests and priorities of all users of the network
- Reflect wider financial challenges and ensure Network Rail has deliverable plans that support reduction in costs and improved performance across industry



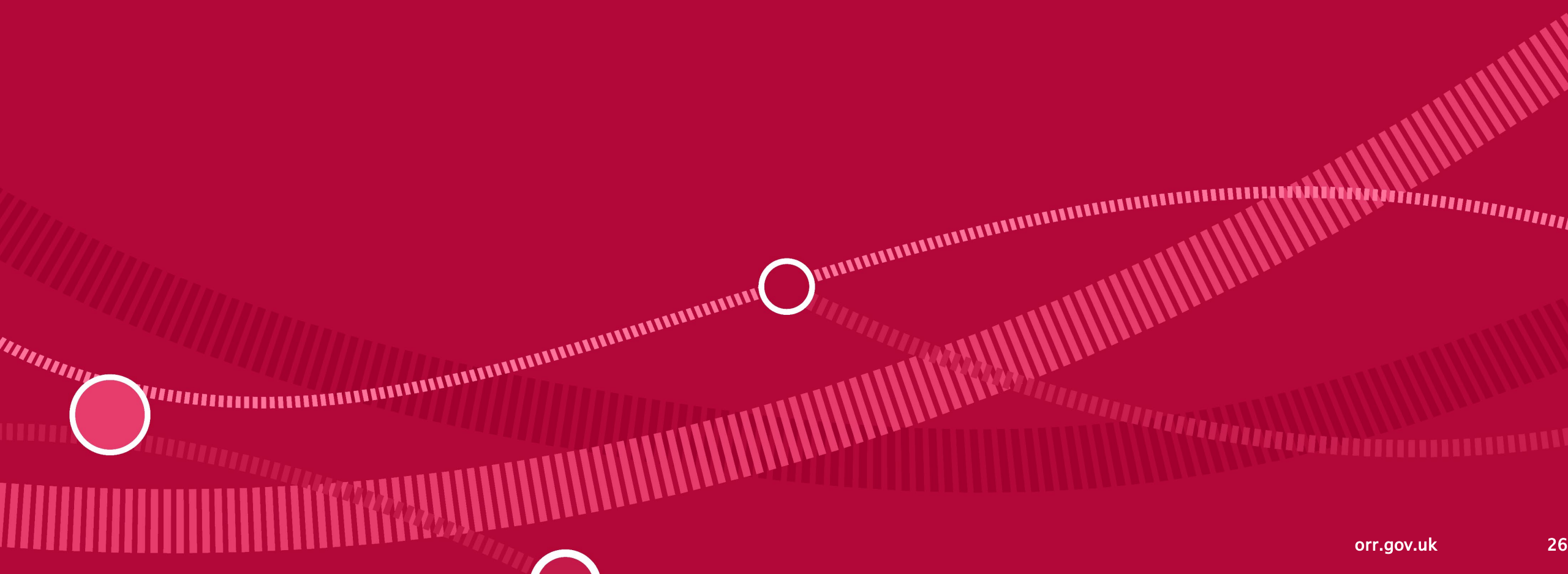
# Our emerging approach to CP7

Indicative only, subject to consultation



1. Regional settlements with own funding and outputs
2. Separate System Operator settlement (with own funding/outputs)
3. Specific focus on Network Rail's delivery to freight
4. Use of wide range of indicators, as well as comparative evidence and reputational incentives, to drive and support improvement

# Indicative PR23 timeline



## Phase 1

- **Now → September 2022**
  - CSR in autumn 2021. Likely to set funding for first year of CP7 and longer-term direction-of-travel
  - Development of NR's business plans (inc. through stakeholder engagement)
  - Charges and incentives preferred options consultation in Feb–March 2022
  - ORR's advice to funders in May 2022
  - HLOS/SOFA in Sept 2022 (E&W) and late 2022 (Scotland)

## Phase 2

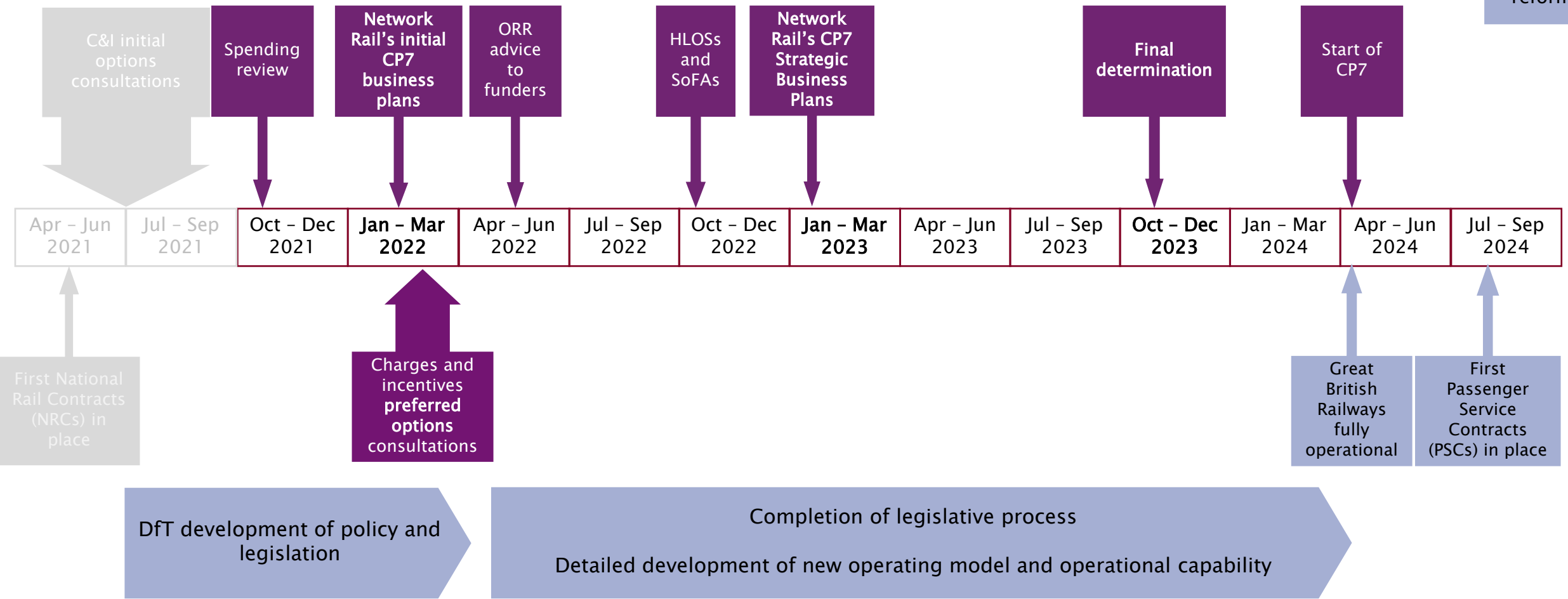
- **October 2022 → October 2023**
  - NR's Strategic Business Plans (reflecting stakeholder engagement and govt priorities and funding available)
  - ORR scrutiny of NR's plans, especially with respect to allocating funding to regions/business units and spend areas
  - Draft and Final Determinations, setting out each region's funding/outputs
  - Design of our Holding to Account policy (i.e. ORR monitoring and reporting)
  - Implementation of charges and incentives framework (calibration and proposed drafting changes to Track Access Contracts)

## Phase 3

- **November 2023 → March 2024**
  - Implement revised Track Access Contracts
  - Make any changes to Network Rail's licence

# Indicative high-level timeline for PR23 and rail reform\*

Key
PR23
Rail reform

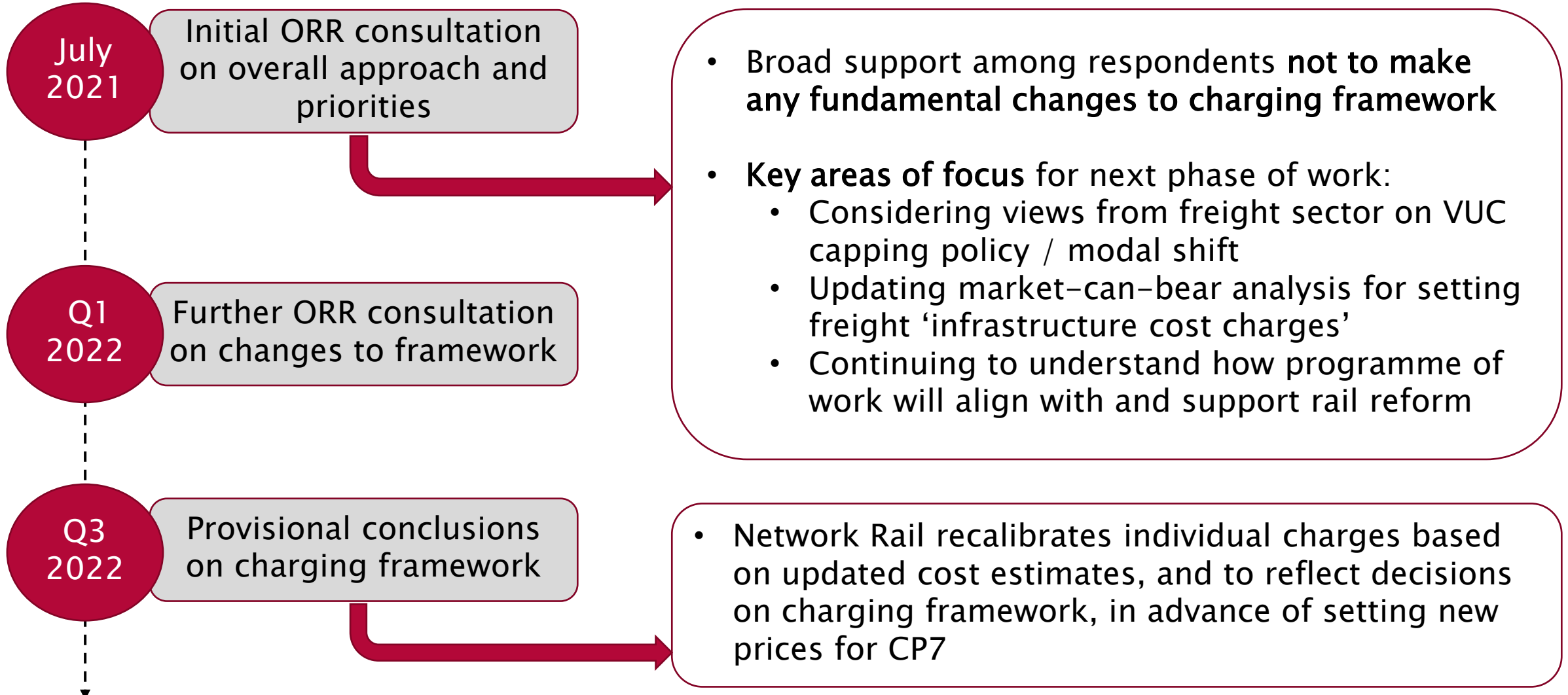


\* PR23 timings are indicative and subject to change  
 \* ORR assumptions on rail reform timing

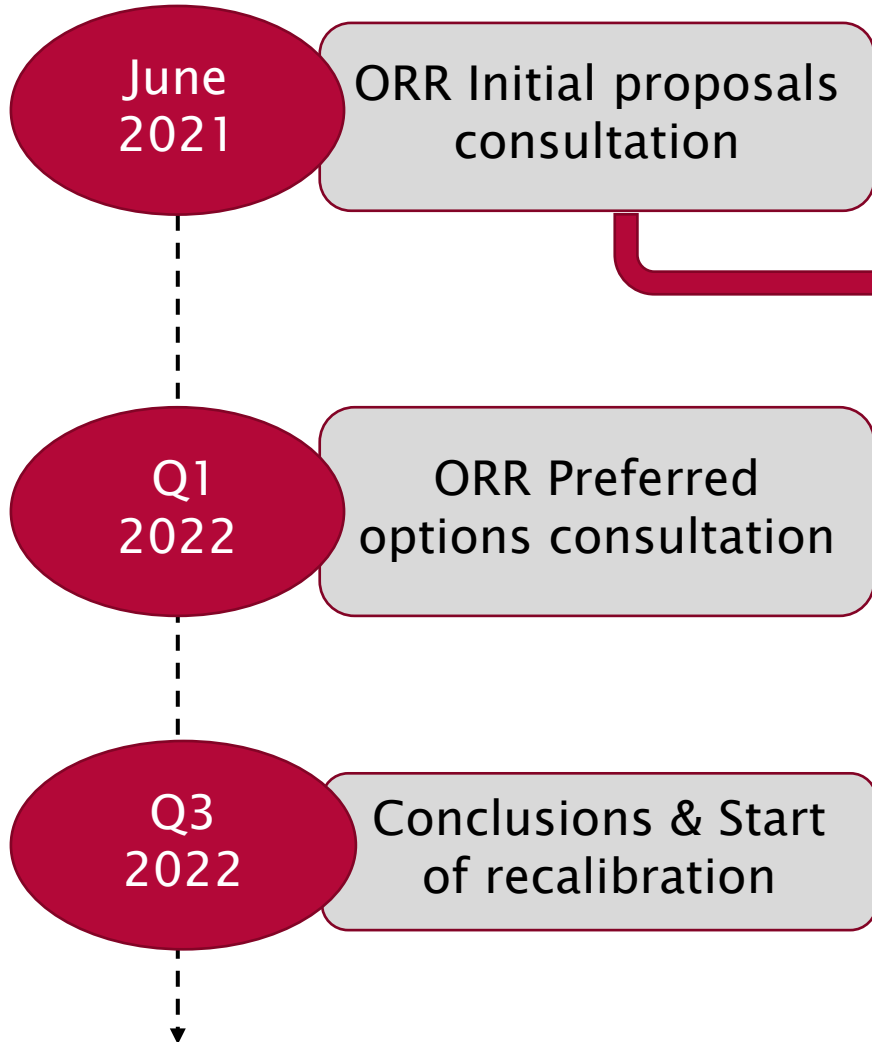
# Charges and incentives

The background features several wavy, overlapping lines in various shades of red and pink. Some of these lines are filled with a fine, parallel hatching pattern. Three white circles are scattered across the lower half of the slide, with one being solid and the others being hollow.

# Review of access charges

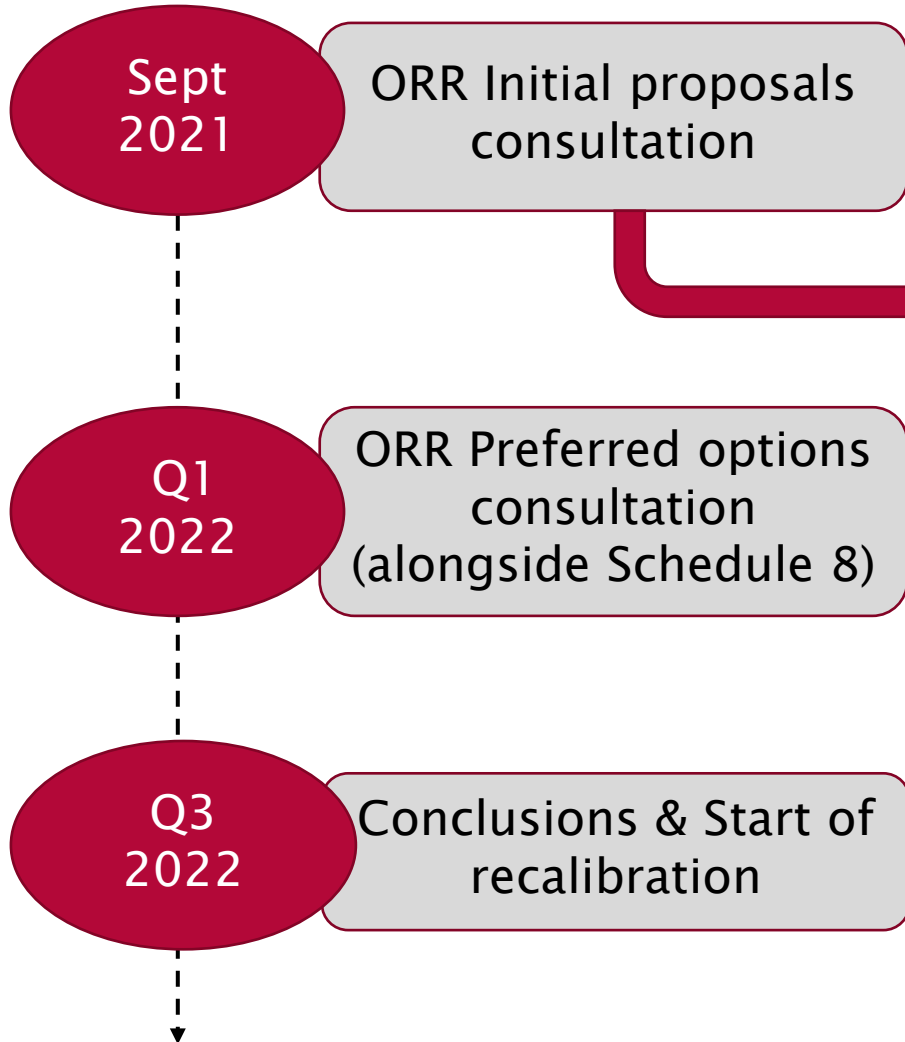


# Review of the Schedule 8 performance regime



- In our consultation we proposed that the freight Schedule 8 regime continues to apply in CP7
- Broad agreement in consultation responses that a **regime such as Schedule 8 has ongoing value** – provides financial protections and incentives to freight operators
- In our consultation we proposed a small number of incremental changes:
  - Update evidence base underpinning the regime
  - More regular updates to some parameters, e.g. Network Rail’s freight payment rate
- We received a mix of views on whether to proceed with changes

# Review of the Schedule 4 possessions regime



Our overall approach is to keep the freight Schedule 4 possessions regime **broadly unchanged** for CP7.

We make **two initial proposals** for reforming the freight Schedule 4 regime:

- 1) To **review freight compensation rates**, in response to freight operators' view that current Schedule 4 compensation rates do not correctly reflect costs they incur as a result of possessions.
- 2) To **introduce an opt-out mechanism**, whereby all train operators would be given the possibility to opt out of Schedule 4.

Our consultation is open until 13 December 2021.



# Freight priorities

# How can good infrastructure management support freight customers? What are your priorities?

Rail freight supports societal objectives such as economic prosperity and decarbonisation

By moving goods efficiently and effectively, identifying and growing new markets, and investing in the network

Good infrastructure management can best support rail freight by ensuring that...?

*The network is safe*

*The network is capable of running the trains/services freight needs*

*Charges and incentives support freight on rail*

*Access and capacity decisions and trade-offs are made fairly and transparently*

*Freight paths are fast and efficient*

*The network is reliable and freight trains arrive/depart on time*

*Investment and competition are facilitated*

*NR engages effectively with FOCs and freight customers*

*...?*

# Freight Safety Performance 2020–21

Paul Appleton, HM Deputy Chief Inspector of Railways

# Sector response to COVID-19

- COVID-19 represented an unprecedented challenge in terms of health and safety risk control
- Duty holders had suitable arrangements in place to both assess risks and implement control measures associated with COVID-19
- Collaboration ensured that freight-specific issues were addressed

# Freight Train Derailment

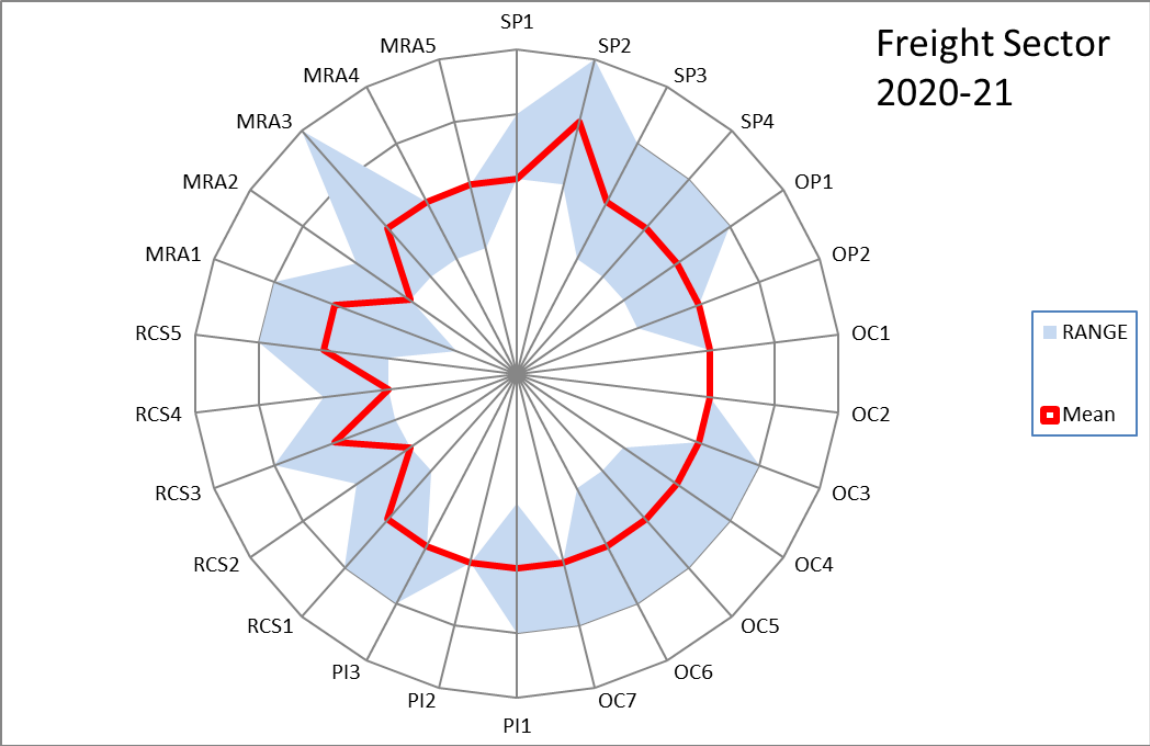


- Llangennech derailment, 26 August 2020
- XIFDPG– moving to BAU
  - Duty holders need to ensure that risk controls are implemented
- CFVN workstream

# Proactive and Reactive Work

- Trespass– proactive programme of inspection
- Workplace health, safety and welfare inspections
  - Inspectors continue to find variation in how risks are controlled at an operational level
- Operational Incidents
  - SPAD at Loughborough – ORR issued IN
  - Doncaster freight train runaway

# Freight Sector Performance



- Sector is largely performing at a “standardised” level
- Monitoring, Audit and Review sees considerable variation

# Areas of Focus – 2021 /22

- Rolling Stock Maintenance
  - Condition of Freight Vehicles on the Network
- Workplace Health and Safety
  - Welfare – provision of welfare facilities
- Operational Incidents– including SPADs
- Industry engagement





# Work of NFSG- Delivering LHSBR Safety Strategy

Presented by Dougie Hill

Chair, National Freight Safety Group

**16 November 2021**

# National Freight Safety Group

---

## **AIMS:**

- The aim of the National Freight Safety Group (NFSG) is to facilitate continuous improvement of Health, Safety, Wellbeing and Sustainability in the rail freight industry through cooperation and collaboration in the management of system risk

## **Accountability:**

- Development and delivery of the Integrated plan for Freight Safety, aligned to the Industry strategy Leading Health and Safety on Britain's Railway (LHSBR)
- Providing an advisory function with programmed updates to the Industry's Systems Safety Review Group and industry members that risks associated with freight are being addressed collaboratively
- Promoting and facilitating the management of risk collaboratively by the most appropriate means
- NFSG accountabilities do not dilute Duty Holder responsibilities

## Members

## Observers

## Members



## GB Railfreight

Rail Operations Group



# Leadership Commitment – Rail Freight Charter

## Rail Freight Project Charter

### Delivering 'Leading Health and Safety on Britain's Railway'

**1. Current Position**

Each Freight Operating Company (FOC), as a Duty Holder, has its own safety responsibilities, performance data and plans. The industry has signed up to 'Leading Health and Safety on Britain's Railway', a strategy developed by the industry for the industry. The successful delivery of this strategy requires close collaboration between FOCs. This is a step change from the legal requirement of Duty of Co-operation.

Due to the extremely competitive market and rapidly changing sector developments the FOCs have a difficult task in balancing co-operation and maintaining a competitive advantage.

**2. Target Position**

The FOCs and Network Rail, through the National Freight Safety Group (NFSG), have agreed to work together to:

- Produce and maintain an Integrated Plan for Freight Safety
- Identify risk control measures that lead to continuous improvement in Health and Safety
- Determine and report on a common set of performance indicators
- Develop a Precursor Indicator Model (PIM) to determine freight risk and inform plans
- To learn from global events and consider these in plans
- Be assessed and audited on the delivery of the strategy
- Maintain independent oversight of delivery to ensure balance between safety improvement and protection of competition

**3. Analysis**

Working together, the FOCs and Network Rail will:

- Analyse the current joint safety performance of the FOCs
- Understand how other competing industries collaborate in sharing best practice with regard to driving improvements in Health & Safety performance without compromising competition
- Determine which systems are available to enable a common platform of data capture and modelling of risk

**4. Stakeholders**

- Rail Delivery Group Freight Board Duty Holders (RDG FB)
- Network Rail (new nominated lead title to be included)
- National Freight Safety Group (NFSG) and National Freight Safety Group Steering Group (NFSG SG)
- Office of Rail and Road (ORR)

**5. High Level Action Plan**

- Annual review of the Integrated Plan for Freight Safety to capture current and emerging risks
- Production and review of the Integrated Scorecard at RDG FB Meetings
- Assessment of the maturity of the collaboration through the RM3 model by ORR
- Steering and oversight of NFSG SG and NFSG by the RDG FB particularly with regard to the delivery of the TOP 5 risks
- Development of a freight specific PIM
- Assessment and implementation of other industry best practice

**6. Success Measures**

- Reduction in risk in rail freight activities
- Collaboration between Duty Holders is independently verified by ORR

 **Andree Rossj, Chief Executive Officer DB Cargo**  
 **Eddie Aston, Chief Executive Officer UK and Europe Freightliner Group**  
 **John Smith, Managing Director GB Railfreight**  
 **Chris Connelly, Managing Director Direct Rail Services**  
 **Simon Bell, Director of Freight Colas Rail**

 **Gencie Henson, Managing Director Devon and Cornwall Railways**  
 **Karl Wells, Managing Director Rail Operations Group**  
 **Nail Sims, Managing Director Vica Railfreight**  
 **Charley Wallace, Director Freight, Network Rail**

February 2021

# Freight Integrated Plan for Safety

A plan to guide Freight Operating Companies' delivery of the rail industry strategy 'Leading Health and Safety on Britain's Railways'



# Freight Risks/Themes

---

## Top Risks

A total of 21 risk themes are contained in the NFSG risk register created in 2020. A review meeting in 2021 agreed the top 10 and subsequently 6 risk priority risk themes\* were selected, as the priority topic areas for NFSG members:

1. Condition of freight vehicles on the network (CFVN)\*
2. Fatigue\*
3. Trespass & Security\*
4. Road Risk\* ( Now moved to BAU duty holder responsibility)
5. Common Safe Systems of Work\*
6. Freight SPAD Reduction\*



# Monitoring & Review

---

## Freight Sector Scorecard

- The freight sector H&S scorecard has been developed to provide a 3-monthly measure of freight sector H&S performance. This is presented at each NFSG where trends are discussed, and key incidents highlighted to enable the sharing of good practice

## LHSBR Quarterly Review

- NFSG provides a quarterly update to the System Safety Review Group (SSRG) who promote collaboration on safety issues aligned to the risk areas described in the industry's safety strategy 'Leading Health and Safety on Britain's Railway' (LHBSR) and produce a quarterly update which identifies progress against the strategic objective aligned to freight. This gives the freight sector independent performance monitoring

## NFSG Projects

- Project Managers provide progress updates to both NFSG and the NFSG SG using a standardised dashboard report to highlight project headlines, achievements, risks & mitigating actions, and items that require escalation



# Continuous Improvement

---

- How we create and improve awareness of our Top Risks within the Freight sector and with our stakeholders and customers
- How our businesses collectively support Project Champions on each of the risk projects
- How we engage/involve our workforce and stakeholders in Rail Freight Safety
- Maintain FOC leadership, focus, commitment, and collaboration to keep moving forward





## Remaining Focused – During Industry Change

---

Recognising that the Rail Industry is undergoing significant change, with the Williams- Shapps Rail reform, the biggest re- adjustment since privatisation remaining focused on our safety performance, aims objectives and targets are of vital importance.

### **NFSG will be challenged to:**

- Maintain focus on their risk project delivery programs
- Continue to align their outputs with LHSBR strategy
- Recognise the importance of corporate knowledge
- Maintain our collaborative approach



**Safety is always improved when we share good practice**



Thank you



Thank you for joining us today

Safe journey home.

