

Chris Littlewood
Office of Rail Regulation
1 Kemble Street
London
WC2B 4AN

27 September 2012

Dear Chris,

Periodic Review 2013: Network Rail's output framework for 2014-2019

Thank you for the opportunity to respond to the consultation on Network Rail's output framework for 2014-2019. This letter constitutes the Go-Ahead Group's response and also represents the views of London Midland, Southeastern and Southern Train Operating Companies.

I confirm no part of this response is confidential and can be published on your web site.

This consultation and the proposed output framework is a critical element of the Periodic Review process currently being undertaken by the ORR. It is important that the outputs that Network Rail are required to deliver during CP5 are consistently aligned to the requirements of train operators and industry funders and stakeholders. In this respect we welcome the opportunity to comment on the proposed output framework. We have to date proactively engaged with the ORR during the periodic review process, including the recent industry workshops, and have already offered a number of observations and suggestions on the emerging proposals. This response builds on this previous engagement, and we look forward to maintaining an ongoing dialogue in the future.

However, it is also important to recognise that the consultation on the output framework is only one element of the overall Periodic Review process, albeit a critical element. The output framework must also be considered in the context of the actual outputs that will be required to be delivered and the financial settlement that will accompany the final determination.

This consultation is on the output *framework*, it does not yet provide the detail of the *actual* outputs that will be required to be delivered. We are broadly supportive of the approach proposed by the ORR in establishing the output framework, our specific comments on each proposal are set out below, we do however look forward understanding the actual levels of outputs that will be required to be delivered and the assurance that these are aligned to our expectations and requirements as operators of passenger rail services.

When establishing the output framework, and subsequent targets for delivery, the number of ongoing major changes that are taking place within the industry must also be recognised. These include:

- a significant proportion of the passenger franchises being refranchised in advance of or during CP5;
- ongoing franchise reform with anticipated increased responsibilities for operators to propose their own plans in areas including timetables, performance, stations and passenger satisfaction;

- the establishment of the Rail Delivery Group and its role in leading industry change; and
- the establishment of closer cooperative working between Network Rail and operators, including formal alliances.

This is not to say that a clear and unambiguous framework with clear targets should not be established, indeed they should. However, it is important that the output framework incorporates a degree of flexibility to ensure it does not frustrate these and other initiatives, while also providing clarity and certainty about what operators and funders can expect to be delivered during the control period. We would welcome further dialogue with the ORR around how these two objectives, flexibility and certainty, can be accommodated and how the framework and outputs can adapt during the control period without undermining the final determination.

We have also responded to the recent consultation on financial issues for Network Rail in CP5, there is a very strong interrelationship between the both the financial and the outputs elements of the review process and our responses to both consultations should be considered as part of the overall process.

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

We agree to the proposal for outputs and indicators for passenger train service performance and would find it helpful for peer group comparison to retain the sector level outputs for PPM. There is no further requirement to drive consistency with the franchise agreement because the template franchise agreement only targets TOCs with the elements of performance that they are able to control.

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

This is primarily an issue for freight operators, however we agree with the proposals for an output and indicators for freight service performance. It is important to recognise the network is shared and there needs to be alignment between freight and passenger performance measures to ensure common objectives to improve performance.

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

We agree with the proposals for monitoring the enhancements delivery plan. Our main concern with the delivery plan in CP4 is that earlier sight of the plan would have allowed us to review and influence the schemes at an earlier stage. It is therefore important that there is adequate operator input in developing the schemes. Without providing an opportunity to excuse non delivery of required outputs, there also needs to be an adequate process to review and refine throughout the control period. We have seen success in securing funding from the NRDF fund and NSIP fund resulting in

significant opportunities and enhancements in improving passenger satisfaction, capacity, train service performance and value for money. We would agree to an indicator to measure the efficiency and effectiveness of the use of funds and support the measures proposed. Consideration should be given to how route based efficiency should be measured.

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

We agree with the proposal to define delivery plan milestone to reduce risk at level crossings and the use of indicators to measure success.

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

The purpose of the measure is to ensure a drive for efficiency, it is important that this does not create a perverse incentive which reduces network availability. This issue is being considered by the current RDG workstream looking at possession efficiency. Whilst we have some reservations about the interpretation of the PDI measure we believe it should be retained as an indicator of performance.

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

There are two elements to consider. Firstly in terms of a metric which measures the efficient delivery of possession outputs which could include indicators such as:

- Possessions not taken up;
- Possessions taken but no work done;
- Volume of work delivered within a possession;
- Measuring possession hours to undertake maintenance programmes.

However, we recognise the development and practical implementation of the above measures would prove extremely challenging for Network Rail systems and the costs and benefits of such an exercise should be considered.

Secondly, the more fundamental question is determining what the efficient possession outputs should be. As referenced in the previous question the current RDG workstream is examining this issue, both identifying the optimum position between the needs of Network Rail and operators, and to ensure available possessions are used to maximum efficiency.

Therefore, while we support in principle the introduction of a metric in this area, further work is needed to define how both it would be actually measured and what an efficient output would be.

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

We agree that the CP4 network capability output should be retained and with the introduction of the proposed indicators set out on the scorecard. We support the proposal to introduce average journey times as a metric. We have a minor reservation that the outcome measures on the scorecard should only ever be treated as indicators as making them outputs has the potential to drive perverse behaviours throughout the industry supply chain.

This measure is critical and must be maintained especially in relation to major resignalling schemes, including the introduction of ERTMS, to ensure no existing functionality is lost as well as seeking improvements in journey times and headways.

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

We are fully in support of the SMM+ measure and would welcome the opportunity to be involved in its development. Consideration should be given to disaggregation of average condition scores at TOC/route level to facilitate transfer of responsibilities at refranchising and/or monitoring delivery at route level.

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

We do not agree to the CP4 measure of depot condition being treated as an indicator as opposed to an output. The average condition scores are vague and do not provide an effective incentive on Network Rail to deliver efficient and appropriate investment. We are concerned that given the criticality of depot investment this should be retained and strengthened as an output.

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

We strongly agree with the proposals that have been outlined, however we have an ongoing concern that the performance of the infrastructure is directly related to the demands put upon it by the train service e.g. number of trains, type of trains and length of trains. The infrastructure plans and policies have thus far been fixed centrally produced documents. The plans must be incentivised to become responsive to the train service demands put upon it (and not unduly restrict potential future service changes) therefore they should be locally controlled and have a quicker feedback loop between timetable changes, rolling stock changes/cascade rolling stock changes and new maintenance policy deployment. For example, the cascade of the Class 442 EMUs onto the South Central franchise has led to signalling problems with signalling flicker, electrification problems because of the different lengths and current draws and particularly track quality problems with unsprung mass. It is not clear to us that the asset policies have been responsive enough to these changing demands caused by the cascade to maintain the ongoing integrity of the infrastructure.

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

Given the current state of the infrastructure condition knowledge and the new maintenance techniques being introduced eg. Remote Condition Monitoring and the changing responsibility for asset management to route level, we believe that it will be very difficult to define a useful economic appropriate objective criteria in this area. We would suggest as an alternative that on a route level this should be an annual asset improvement plan agreed by the alliance and approved by the ORR and that continued non-delivery of the asset improvement plan should result in a breach by treating the asset delivery plan an output.

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

We have no specific comments on this proposal.

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

We agree with a new indicator of changes in journey times however further consideration needs to be given as to the route sections being measured and how they are divided.

Our view is that a meaningful measure of accessibility would be extremely difficult to develop though we do support monitoring the delivery of relevant enhancement schemes.

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

We are in support of an indicator to measure improvements in passenger information provision, however, would need clarity on how this would be measured and be certain that the measurement would have no adverse impact on the delivery of information. Any measure would also need to be flexible enough to recognise the growing numbers of mediums through which passengers access information and that technology and platforms are evolving extremely rapidly in this area. We would not want to see the introduction of an onerous bureaucratic process at the point of delivery of a critical customer service, nor a measure that could discourage the introduction of new technology or mediums.

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

Network Rails delivery of efficiencies and input price should be indicative of the management of its supply chain therefore we do not view this as a necessary indicator.

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

We agree with the introduction of a new measure as CUI has limited capability, however it is not yet

clear what a new measure might cover, we suggest further industry engagement to develop proposals in this area.

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

We agree with mechanism to allow formal trade-offs. Any such mechanism would require an agreed appraisal methodology to ensure that there is genuine increased value for money arising from the trade-off of outputs. We have previously made the point that the industry is going through a period of change, therefore a clearly defined mechanism to permit formal trade-offs which reflect these developments will be required during the Control Period.

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

We support the idea of a scorecard which should provide context of Network Rail's performance. It has the potential to provide an overview of delivery within the Control Period which may not be easily visible from individual outputs. The proposed scorecard covers the outputs set out in the HLOS and appears broadly fit for purpose, though we suggest consideration of a safety measure as this is core to the railways business. However, while we welcome the idea of a scorecard this must not be at the expense of ensuring delivery of each required output and we expect no loss of focus from the ORR in monitoring and tracking delivery.

Please do not hesitate to contact me if you want to discuss any of the issues raised in the consultation in further detail.

Yours sincerely

Richard Stuart
Director, Rail Policy
The Go-Ahead Group plc

07970 045601
richard.stuart@go-ahead.com