

Greater Anglia's response: PR13 Consultation on Schedules 4 and 8 possessions and performance regimes

Background and context

1.51 What are your views on whether or not passengers and freight customers are adequately consulted on the planning of possessions? What activity currently takes place?

Currently neither Network Rail nor Greater Anglia is obliged to consult passengers on the planning of possessions although Greater Anglia's primary objective throughout the process of negotiating engineering access with Network Rail is protecting the interests of our customers when the railway cannot be fully available for use. Greater Anglia takes into account current research provided by Passenger Focus and has dialogue with its stakeholders regarding many issues including possession planning.

1.52 What are your views on whether we should encourage Network Rail to consult with passengers and freight customers in the planning of possessions?

Greater Anglia supports any proposal which encourages Network Rail to consult and engage with passengers and freight customers in the planning of possessions. We are supportive of such proposals and willing to co-operate in developing and executing such consultation streams. However it is important that any such obligation on Network Rail to consult with passengers is done in partnership with train operators in order to avoid creating confusing or contradictory messages in relation to engineering work and potentially undermining a train operator's relationship with its customers.

Issues relating to Schedules 4 and 8

1.53 If we were to encourage Network Rail to consult with passengers and freight customers in the planning of its possessions, do you have any suggestions on how we might go about doing this, for example, how such an obligation would be phrased and monitored?

Greater Anglia suggests that a good place to start would be for Network Rail to commence a direct dialogue at a national level with Passenger Focus on topics relating to engineering work which are common to all operators. Greater Anglia would be more than happy to liaise with both Network Rail and Passenger Focus to support such national consultation and facilitate further consultation at a local or route level.

2.24 Do you agree with the SDG research findings and conclusions on whether to set Schedule 4 and 8 payment rates so that they do not compensate train operators in full for the impact of service disruption due to Network Rail and other train operators? If not, please tell us why.

Greater Anglia broadly agrees with the SDG research findings and conclusions on the setting of Schedule 4 and 8 payment rates at less than 100%.

With regard to the Schedule 4 payment rates, we have difficulty in understanding why it was thought necessary to consider this question given that the Schedule 4 algorithm takes into account the planned nature of disruption relating to engineering work and already discounts the payment rates in the regime accordingly.

2.25 Do you agree that we should continue to set Schedule 4 and Schedule 8 payment rates so that they compensate train operators for the full financial impact of service disruption due to Network Rail and other operators, where we do so currently? If not, please tell us why.

Greater Anglia agrees that payment rates in Schedule 4 and Schedule 8 should continue to compensate train operators for the full financial impact of service disruption.

In respect of Schedule 4 we are very much of the view that Greater Anglia's behaviour in respect of how it negotiates engineering access with Network Rail is already heavily incentivised through its reputation with its customers, its franchise obligations, its fare box revenue and its overall efficiency as a business. The impact of Schedule 4 is a single variable amongst a number of significant incentives driving a train operator's behaviour and taking a simplistic stance regarding setting of payment rates will not greatly, if at all, change train operator behaviour in any respect. Indeed in many respects we see Schedule 4 in its current form as an aid to simplifying our engineering access discussions with Network Rail because it does away with the need to incorporate complicated and lengthy discussions surrounding compensation or other cost claims in relation to the impact of any engineering work and the legal and management/administrative burden associated with this.

Network Rail however is not similarly incentivised when entering into engineering access negotiations and therefore the financial impact of Schedule 4 is a key driver for its possession planning activity. We believe that fundamental to Schedule 4's effectiveness is the efficient operation of Network Rail's engineering planning process and the integrity of data and payment rates in the regime.

In respect of Schedule 8, Greater Anglia's behaviour in response to unplanned disruption is not driven by compensation received. We broadly agree with the findings of SDG particularly in respect of the potential for any changes in payment rates resulting in higher risk factors being priced into franchise bids. Retaining Schedule 8 in its current form means that allocation of risk in relation to unplanned disruption remains understood, quantifiable and transparent in the industry and the franchising process.

2.26 Are you of the view that there are other steps we could take to encourage train operators to have a stronger influence on the behaviours of Network Rail, in addition to those we are doing already. If not, please tell us why.

ORR's support for alliances remains key to assisting and encouraging train operators to have more influence on the behaviours of Network Rail.

2.38 Do you agree with our proposal not to introduce the Joint Restrictions of Use concept into Schedule 4 of template track access contracts? If not, please tell us why.

Greater Anglia is in agreement with ORR's proposal not to introduce the joint restrictions of use concept into template track access contracts and we support ATOC's response in respect of this.

2.39 To what extent (if at all) do you think the current contractual working of Schedules 4 and 8 is acting as a barrier to Network Rail and train operators minimising disruption to passengers and freight customers during extreme disruption, e.g. during severe weather. If you are of the view that it does act as a barrier, we welcome any specific proposals on how it can be improved.

Greater Anglia does not believe that the contractual wording of Schedules 4 and 8 acts as a barrier to Network Rail and train operators in their efforts to minimise disruption to passengers during extreme disruption and we disagree that perverse incentives outlined in 2.27 are caused by existing contractual provisions. Train operator controllers and other operational staff on the ground react and work with Network Rail according to the infrastructure and resources available to them to provide the best possible service for customers under the circumstances they face. It is hard to

define how changes to the current contractual wording would do anything other than add a layer of complexity to already challenging circumstances surrounding events of disruption.

Schedule 4 passenger possessions regime

3.15 Do you agree that the Access Charge Supplement (ACS) should be calculated using Network Rail's revised route based Schedule 4 costs estimation methodology?

Greater Anglia agrees that the ACS should be calculated using Network Rail's route based Schedule 4 costs estimation methodology and we support ATOC's response in respect of this.

3.16 Do you consider there is further value in Network Rail achieving greater disaggregation in the methodology of the ACS calculation and, if so, do you have any suggestions how this might be achieved?

No comments.

3.24 Do you agree that we should update the estimated bus mile payment rate based on actual amounts paid during CP4, rather than simply uplift the current rates by cost inflation?

Greater Anglia has participated fully in ORR's survey of the bus cost compensation received by franchised passenger train operators during 2010/11 and 2011/12. We support ORR's view that Schedule 4 estimated bus mile compensation rates should be based on the actual amounts paid by Network Rail during CP4.

3.31 Do you agree that we should continue with the current formula for calculating revenue loss compensation for cancelled train services when there are replacement buses? If not, do you have any suggestions for how we could improve this aspect of Schedule 4?

Greater Anglia supports ORR's view that the industry should continue with the current system for calculating revenue loss compensation for cancelled train services. We do not consider that the perverse incentive described in 3.27 comes into play in reality as there are sufficient other, stronger incentives on us to provide the best possible service we can for our customers during periods when access to the network is restricted.

3.32 Do you consider the way in which the revenue loss formula compensates franchised passenger operators when using replacement buses encourages passenger train operators to run too many buses (rather than trying to run train services using diversionary routes, for example)? If so please explain why you think this is the case.

We do not consider that the revenue loss formula encourages Greater Anglia to run too many buses. Greater Anglia does not operate any rail replacement bus services beyond those dictated by necessity. There are other, significantly greater, disincentives to operating rail replacement buses which far outweigh any theoretical marginal revenue effect.

These disincentives include: the obvious inconvenience to passengers, well publicised passenger dislike for rail replacement operations and its effect on our NPS scores, varying quality of road vehicles available for work which is secondary to the core business of most bus and coach operators, operational difficulties inherent to road transport such as traffic congestion (which can cause knock on delay to train services), considerable additional staffing levels required to assist passengers off trains, out of stations and on to road transport, additional short term planning resources required to produce bus timetables, additional staff required to supervise manoeuvring of large road vehicles into and out of stations, lack of suitability of station leased areas and/or station geographical locations for operation of large buses, additional management activity in relation to production of

risk assessments for moving passengers off trains and station premises on to road transport, the obvious additional safety risks inherent in operation of road transport, disruption to retail activities on and around stations (including significant disruption to car parking facilities for customers), additional management activity liaising with local councils and highways authorities in relation to roadworks and other road closures which potentially affect rail replacement routes and liaising with our neighbours at stations or along bus replacement routes who are not even customers of Greater Anglia but all of whom suffer some level of disruption directly attributable to the operation of rail replacement services.

For these reasons therefore Greater Anglia is doubtful that any train operator undertakes rail replacement services lightly or operates more vehicles than necessary and almost certainly not for any theoretical marginal revenue gain.

3.54 Do you agree that we should extend the scope of the protection provided by paragraph 2.9 of Schedule 4 to enable the recovery of direct costs related to amended or cancelled Type 1 possessions? If not please tell us why.

Greater Anglia supports the ATOC proposal in relation to enable train operators to recover direct costs in relation to the late cancellation of Type 1 possession.

Greater Anglia has much experience of this problem and we very much welcome ORR's emerging view that it too believes incentives on Network Rail's behaviour in respect of late notice cancellation of its engineering work should be strengthened. We believe we should not face perverse incentives when attempting to re-implement services at very short notice as a direct result of Network Rail's behaviour whereby a possession published many months prior is cancelled, sometimes with only one or 2 days' notice. There is a very real cost associated in attempting to re-plan a booked service in a very short timescale. Indeed occasionally notice is so late that it has not been possible to reinstate train services at all and we have found ourselves in the perverse and very unsatisfactory situation of having to pay for and operate buses when the railway is open, yet Network Rail suffers no penalty for this whatsoever. This is particularly frustrating when it transpires additionally that Network Rail has known about the lack of work to fill a possession several weeks prior to actually cancelling the possession (which often seems to us to be caused by Network Rail's failure to proactively manage its contractors and project teams). Consequently a train operator will incur costs relating to additional STP workload in re-planning the train service once again and sometimes bus operators will levy a cancellation charge in respect of lost work or indeed we end up paying for a full rail replacement service which runs unnecessarily. Greater Anglia therefore would welcome the opportunity to recover costs incurred in relation to late notice cancellation of Type 1 possessions.

3.55 If so, do you agree the threshold for triggering a claim should be £5,000 per possession?

We agree that the proposed £5,000 threshold would be appropriate in this instance.

3.56 Do you agree that we should update the new working timetable notification factor to reflect changes to delay multiplier values in the Passenger Demand Forecasting Handbook (PDFH)? If not please tell us why.

Greater Anglia believes updating the notification factors in response to changes in the PDFH is appropriate to ensure integrity of and consistency between the regimes.

3.57 Do you have any further proposals for changes to notification discount thresholds and factors? If so, please explain your reasoning.

Greater Anglia has been involved in the Schedule 4 and Schedule 8 regimes Industry Working Group and has no further proposals to make in respect of this matter beyond those already explored in detail by the IWG and the resultant proposals made by ATOC.

3.64 Do you agree that we should keep the Sustained Planned Disruption (SPD) thresholds the same and uprate the cost compensation by inflation (RPI)? If not please tell us why.

Greater Anglia is content with ORR's proposal for SPD thresholds to remain the same and be uplifted in accordance with RPI.

3.65 Are you of the view that provisions for claiming compensation under the SPD mechanism would benefit from clarification? If yes, please highlight which areas should be clarified.

No comments.

Schedule 4 freight possessions regime

4.20 Do you consider the current regime appropriately compensates freight operators for losses resulting from severe disruption caused by possessions? If not, what do you consider the level of compensation should be based on?

4.21 Do you consider that the current regime appropriate incentives Network Rail to reduce the amount of disruption faced by freight operators due to possessions? If not, how do you think incentive effects can be strengthened?

4.22 If Schedule 4 compensation payments rates for freight operators were increased, should this be funded by government? If so, please explain why you think this should be the case.

No comments.

Schedule 8 passenger performance regime

5.23 Do you agree that we should keep the current Schedule 8 contractual wording in relation to what train operators can claim for under the SPP arrangements? If you do not agree, do you have any proposals for alternative wording?

Greater Anglia is content with the current provisions of Schedule 8 relating to SPP are adequate. We do not believe that the drafting is unclear or unsuitable.

5.36 Should we continue with the SPP threshold set at 10% or increase it?

Greater Anglia does not believe it is possible to have an informed consultation on the level of the SPP threshold for the next Control Period until the proposed new CP5 benchmarks and payment rates are known and their impact better understood. In any case, we do not believe that the evidence that is provided supports an increase in the threshold. If some train operators are in trigger of the threshold yet not claiming in all cases we believe this demonstrates that the provisions are not being misused.

5.37 If we increase the SPP threshold, what are your views on the level we should set it at?

We do not believe the SPP threshold should be increased. See above.

5.49 Do you agree that we should leave timings of Schedule 8 payments unchanged, with payments due within 35 days following the end of each four-week accounting period? If not please tell us why.

Greater Anglia believes there is no substantive argument supporting the introduction of a further time delay than already exists on Schedule 8 payments. We note that ORR is also conducting

parallel PR13 workstreams in relation to demand elasticities and delay multipliers in the PDFH which, when updated for CP5, will ensure that Schedule 8 remains as reflective of passenger behaviour as possible without the need for introducing further complexity into the performance regime.

5.58 Do you agree that we should keep the circumstances in which Network Rail and train operators can propose amendments to Schedule 8, appendix 1 via paragraph 17 the same? If not please tell us why.

Greater Anglia strongly agrees with ORR that there is no case for amending the provisions of paragraph 17. Paragraph 17 is vital for ensuring that Schedule 8 data can be accurately maintained between control periods. It is required not just for timetable changes but also implementing other data changes for example in relation to neutralising the effect of changes to berthing offsets or changes required to monitoring point weightings following such things as changing passenger flows or franchise remapping. The Schedule 4 and 8 IWG has not been shown sufficient evidence from Network Rail that it is inundated by requests from train operators in relation to paragraph 17 and therefore subject to undue strain on its resources as a direct consequence. Indeed Greater Anglia believes the most frequent reason for changes to Schedule 8 metrics follows pursuant to Network Rail's own programme of berthing offset audits which often results in changes being made to benchmarks.

5.59 Are there any specific areas of paragraph 17 where you are of the view the drafting needs to be made clearer?

Greater Anglia will support proposals to improve the drafting of paragraph 17 where there is shown to be a clear benefit to be gained from doing so. We suggest that the Schedule 4 and 8 industry working group considers this issue further.

5.70 Are you content for us to remove the passenger charter element of the Schedule 8 performance regime? If not, please could you tell us why and whether you would like us to take any alternative course of action.

Greater Anglia has no objection to ORR's proposal to remove the passenger's charter element from the Schedule 8 regime.

5.87 Do you agree that we should not change the way train operator cancellations to their own trains are treated under Schedule 8? If not, please tell us why.

Greater Anglia believes that Schedule 8 exists primarily to incentivise Network Rail to minimise lateness to and cancellation of train services as it is not subject to the wider impact of service disruption on passengers. However a train operator is subject to other, greater incentives and therefore we believe treatment of cancellations under Schedule 8 is not a sufficiently material matter to warrant making potentially costly adjustments to industry systems at this time.

Schedule 8 freight performance regime

6.19 Do you agree that we should keep the Network Rail payment rate the same but uplifted for inflation? If not please tell us why?

6.20 Do you think that the current Network Rail payment rate accurately reflects the financial impacts incurred by freight operators as a result of Network Rail caused delays to freight trains? If not please tell us why?

6.21 Do you agree that we should re-examine the evidence base for the Network Rail payment rate with the freight industry and Network Rail in CP5 and if necessary adjust the rate to reflect cost and revenue impacts on freight operators due to Network Rail caused delays? If not , please tell us why?

No comments.

6.30 Do you agree that we should keep the Network Rail cancellation payments the same but uplift them for inflation? If not, please tell us why?

No comments.

6.39 Do you agree that we should update the congestion factor used in the calculation of adjustments to the freight operator benchmark, in order to take into account of evidence being collected as part of the update of the capacity charge? If not please tell us why?

No comments.

6.45 Do you agree that the Network Rail £ per delay minute payment rates used in the calculation of the freight operator payment rate should be weighted by third party freight operator delay affecting each service group?. If not, please tell us why?

No comments.

6.53 Do you agree with our proposal to continue to set the bonus payment rates at 50% of the level of the compensation payment rate? If not, please tell us why?

No comments.

6.60 Do you agree with our proposal not to require Network Rail to offer incident caps in return for an access charge supplement? If not, please tell us why?

6.61 Do you agree that incident caps are something that could be provided by the private insurance market if Network Rail were not to offer incident caps at a reasonable price? If not, please tell us why?

No comments.

6.70 Do you agree that we should continue to allow operator specific annual liability caps? If not please tell us why?

6.71 Should we continue to set reciprocal annual liability caps for smaller and new freight operators? If not, please tell us why?

6.72 Should we continue to set reciprocal annual liability caps in instances where Network Rail and freight operators cannot agree on the level the cap should be set at? Or are caps on annual liability something the private insurance market could provide if no agreement is reached?

No comments.

Compensation related to charter operators

7.10 Do you agree that a separate charter operator payment rate should be calculated using the same methodologies used to calculate the freight operator payment rate, bus based on delays caused by charter operators to other train operators? If not please tell us why.

No comments.

7.19 Do you agree with our proposal not to require Network Rail to provide incident caps to charter

operators on the basis this currently results in a subsidy to charter operators? If not please tell us why?

7.20 Do you agree that incident caps are something that could be provided to charter operators by the private insurance market? If not, please tell us why?

No comments.

7.24 Are you content for us to set the Network Rail payment rate I the charter operator performance regime so that it is the same as the Network Rail payment rate in the freight performance regime? If not, do you have any proposals on how we should update it including on the evidence we could use?

7.25 Are you of the view that there are any other areas of the charter Schedule 8 performance regime that should be amended? If not, please tell us why?

No comments.