

Rail Delivery Group

Response to:

ORR's Working Paper 4: Outputs Framework

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Organisation: Rail Delivery Group
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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.