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31 October 2007

Dear Mr Waters

Periodic Review 2008 – Network Rail’s Outputs

Thank you for the opportunity to comment on the consultation paper on the outputs that Network Rail will be required to deliver in CP4, and for the workshop held on 21 September. This response is not confidential and is structured to comment on and respond to the relevant sections of the consultation paper.

Northern recognises that the industry is currently engaged in a number of planning-related workstreams, including HLOS, the Network Rail Strategic Business Plan and a number of RUS's that are at various stages of their development. The 2009 Business Plan will be crucial in bringing together all these workstreams and clearly setting out the outputs to be delivered by Network Rail during the whole of CP4, subject to the regulated change mechanism. ORR must ensure that Network Rail is adequately funded and incentivised to deliver the outputs, and must work with DfT to ensure that TOCs are equally clear about their required objectives so that the industry is working with Network Rail to deliver common agreed outputs.

Monitoring

At a high level, Northern supports the approach being taken by ORR to incentivise Network Rail to meet national targets for the delivery of key outputs, including PPM. Northern believes that these national targets, including PPM, should be disaggregated and be specified and measured on a TOC by TOC basis to ensure that Network Rail and TOCs know what is expected of them, and that Network Rail does not achieve national targets by balancing over-delivery to one TOC at the expense of under-delivery to another. Monitoring as per the current ORR national rail trends published quarterly should continue.

There must be transparency to ensure that the TOC incentives in the Franchise Agreement, and especially PPM incentives involving franchise extensions together with any newly inserted incentives and obligations to deliver the HLOS outputs, are precisely aligned with Network Rail's disaggregated targets for the TOC concerned.

Safety and Health

The section related to HLOS matches information received by Northern from RSSB. It is clear that Network Rail cannot deliver the HLOS safety objective in isolation, but that TOCs and Network Rail will have to work together through RSSB. It is right that monitoring is done at an industry level, and a key thing will be to determine and agree the baseline. The proposed method on filling in between risk model iterations seems sensible.

Northern would like to develop a better understanding of the safety KPIs Network Rail measures at a national level, and in what forums these may be shared with the industry. Clearly they input to SMIS, and this feeds in to the industry safety risk model, but it would be useful to get some kind of period report from Network Rail on both occupational and operational safety KPIs, if only as a benchmark for TOC performance.

Northern is currently waiting for Network Rail (LNE) to supply a draft format for a new safety performance report we have asked for to monitor interface risk, but that will focus on operational safety KPIs, so it might be interesting to also see some occupational safety KPIs on staff accident rates etc.

Train Performance

Northern supports the approach to be adopted by ORR (5.13) and agrees that national PPM and national significant lateness are correct key regulatory outputs and should be enforceable (5.14), particularly given the significant improvement that Network Rail will be required to deliver in the Control Period as outlined in HLOS. It is inconsistent given the inclusion of PPM and significant lateness (cancellations and delays of over 30 mins) as regulatory targets, for there to be no regulatory target at a national level for train cancellations. At this stage there is no clear picture of how ORR will incentivise Network Rail to improve network performance and operating practices to ensure that the significant lateness target in HLOS is delivered by changes in the way that Network Rail manages the network in real time and improves the reliability of the equipment on the ground. The current failure to specifically incentivise Network Rail to minimise cancellations has meant that in CP3 management focus has been to reduce delay minutes rather than to manage the balance of delays and cancellations during periods of disruption. Cancellations are a significant cause of customer dissatisfaction for both train performance and overcrowding. Northern experiences significant crowding in the peak periods and cancelled peak trains have a significant impact on the levels of crowding on the remaining services.

Northern supports the approach outlined in sections 5.15, 5.16 and 5.17. Network Rail should have a top level regulated output (5.18) to achieve a total cancellations target for England and Wales for the reasons outlined above. This target is required to ensure that delay minutes are not driven down at the expense of cancellations and consequent overcrowding caused by any reduction in the delivery of peak capacity caused by cancellations. Northern believes that it is a customer reasonable requirement to have an additional disaggregated cancellation target for each franchised operator.

The nature of a company target for a TOC is vastly different depending on the geographical spread and the characteristics of the routes involved (eg Northern compared to C2C), and in Northern's case dreadful performance in one area could potentially be balanced by over performance in another area. Northern's operation provides urban services in the major cities in the North of England and it is required to achieve PPM targets in each Performance Management Unit (PMU), in addition to the overall company PPM.

Northern would like to see a further level of disaggregation because its franchise agreement contains performance targets for Network Rail delays and cancellations set at Performance Management Unit (PMU)/Service Group level. Network Rail must be able to provide these PMU targets and work with the TOC to deliver the outputs that meet the Stakeholder targets for the local markets as part of delivering the company target. This level of disaggregation already applies at service group level in the Schedule 8 significant poor performance mechanism.

Cancellations should also be used as a diagnostic indicator (5.18) in addition to delay minutes to measure performance by asset/location/area. Northern would strongly support the use of a variety of indicators by Network Rail Route/GM area and asset type.

Network Capacity

The proposed enhancements to peak period capacity in the urban areas (5.21) must consider not only the strengthening of trains, but the relative business case for selective door opening vs platform extensions at intermediate stations. There is a significant risk that the platform capacity of terminal stations like Liverpool Lime Street, Manchester Piccadilly, Sheffield and Leeds where two or three trains are simultaneously in one platform will not be adequate to accommodate the extended formations.

It is also clear that any increase in TOC fleet sizes to provide additional capacity will require additional stabling, cleaning and depot facilities to be provided.

Network Capability

Northern supports the clear statement of the network capability that Network Rail will be required to provide from the start of CP4 (5.28), and the use of the Network Change process as a monitor of changes to capability. How does ORR propose to deal with Network Rail's financial savings arising from both permanent and short term Network Changes (5.29)? The short term Network Change process is relatively new and Northern would not expect to see it used to cover the introduction of PSRs, plain lining of S&C or other "temporary" reduction in capability that may have no regular timetabled use, but is essential to the engineering access strategy or required to recover from network disruption. This short-term gain could well increase overall delay minutes and/or cancellations that both impact PPM.

Northern would welcome electronic Network Rail processes (5.30) for keeping TOCs informed of operational infrastructure that is out of use, or affected by speed restrictions and for which Network Change has not been triggered.

Northern supports the proposals to include a gross tonne-miles capability measure (5.32-5.34) as it has current experience of the disruption to passenger services caused by the impact of the movement of significant freight tonnages on a route where Network Rail claims it is not funded for the necessary renewals as the freight variable access charges do not generate sufficient income.

Network Availability

Northern believes that KPIs for network availability are essential and must be used to incentivise Network Rail to plan and use possessions efficiently. The proposal to use a sum of the revenue costs of possessions (as calculated by the Schedule 4 algorithm) and the economic cost of time to the passengers onboard better reflects Northern's role in

providing a service to the communities in the North of England, and not just the value of the ticket revenue.

Schedule 4 currently underplays the impact of possessions on the wider stakeholders. Network Rail must be incentivised to minimise the use of replacement buses in both planned and unplanned situations. There is undoubtedly a revenue loss from suppressed demand in evenings and especially at weekends where the likelihood of bus substitution and extended journey times are an active deterrent to travel by rail. The proposed use of the current depressed farebox does not break out of the cycle of doing engineering work when we think people don't travel (e.g. Sundays) and ignores the likelihood that if there were consistent and connective train services on Sundays people would use rail rather than other modes.

Northern would like to see TOC specific disaggregated KPIs for possession overruns based on delay minutes and cancellations. The suggestion to use delay minutes only will not reflect the disruption caused to customers by cancellations. A further KPI should reflect the numbers of trains replaced by buses for any part of the journey and would reflect the disincentive to travel caused by buses.

There should also be KPIs reflecting short notice possessions (advised outside Informed Traveller timescales), the take up of planned possessions (short-notice cancellations) and a measure of planned work not completed. These would incentivise Network Rail to use engineering access correctly first time and reduce instances of network performance failure due to lack of capability (e.g. crossovers) or delay (e.g. ESRs).

Asset Serviceability

Northern believes that current KPI's do not properly capture the disruption caused by asset failure because incidents that only cause cancellations and/or delays less than 10" are not measured. Northern believes that a reliability event for each asset type should be defined in a similar way to Schedule 8 as a TRUST delay of 3" or more and/or a train cancellation.

Northern strongly supports work to better weight ASI to ensure each type of asset is correctly given its position of criticality within the overall score (3.46-3.49). Clearly what the current calibration of ASI classifies as "good" performance/asset management does not correspond with the expectations of funders and stakeholders during CP3.

Northern supports the development of a KPI dashboard (3.53) for assets reflecting the wide-ranging type and importance of assets in terms of cost, safety and performance. This is preferred rather than a measurement of success based on a 'nominal' weighted score asset stewardship index.

These metrics must be disaggregated to TOC level to demonstrate improvements in asset management of assets used by the TOC. Northern has the worst delay per mile/train for the core Network Rail infrastructure categories and clearly expects better asset management plans and measurement of their delivery.

The proposed review of processes and policies as well as age, activity and condition is a welcome development. It would be good for the industry to rigorously challenge Network Rail procedures as a means of delivering better outputs.

Performance KPI's related to track (5.56-5.61) should be derived from delay minutes and cancellations, whether this uses 'deemed' minutes (cancellations converted to minutes) or

incidents of delay and cancellations as the measure. Northern expects any KPI scorecard to maintain visibility of progress against plans for broken rails; number of condition of track TSRs; Level 2 exceedences; track miles with "poor" or "good" geometry and a measure of route miles considered 'fragile'.

Northern wants the performance monitoring of signaling to continue (5.62-5.63) and use the lower Schedule 8 threshold of 3" and/or a train cancellation to trigger an "incident" to be measured. The current 10" threshold is not sufficiently challenging and does not reflective the disruption caused. It is not clear which IPPR categories are monitored for this metric as track circuits, signaling and power supply need monitoring. Safety related incidents like wrong-side signal failures and Category B SPADs caused by signal failure should also be measured.

Monitoring of electrification equipment (5.64-5.66) should include a cancellation measure rather than purely delay minutes. TSRs due to condition of structures (5.67) should include tunnels, walls and bridges/viaducts. Northern supports the proposals to measure bridges requiring "special examination" (5.68); the additional asset condition reporting for the list of structures (5.69); the hazard rating and number of speed restrictions due to cutting/embankment condition (5.70-5.71); and to monitor telecoms (3.74).

Recent flooding in South Yorkshire suggests that monitoring of drainage is necessary. A number of measures are suggested (5.73), but Network Rail should be encouraged to establish whether changes to land use on adjacent property is increasing the risk of flooding affecting the network.

Stations and Depots

Northern would like to see the results of the current condition survey (5.82) and especially to know how Northern stations have scored and understand the implications of the score for future programmes of station works. Northern believes that the "average station condition" within each category of station should be disaggregated to TOC level, and potentially to PMU level to reflect the investments made in Northern stations by stakeholders including PTEs and County Councils. The Regulatory target (5.85) should be that TOC stations should be within a fixed (small) percentage of average condition.

Network Rail should create a station facilities monitor to identify the lack of key facilities at stations and to prioritise investment by Network Rail and stakeholders (3.89).

Northern considers that depots should be maintained in "a steady state" condition over the longer term. It may be difficult to define "steady state" but Northern would like to see Network Rail investing in LMD facilities as "best" practice is identified and regulations change to bring the depots up to standard within a reasonable period of time. Northern believes that "standard" equipment for a LMD should include a drop table and possibly a bogie drop, and that automated underframe cleaning facilities shed should be installed at all DMU depots.

Customer Satisfaction

A measure of success within the Network Rail management incentive scheme should be customer satisfaction, but Northern would like the incentive scheme to be focused on delivery throughout the year, and not based on the situation at year-end. This will improve management focus and avoid the situation where, for example, TSRs are always at their minimum at year-end and significantly below the average for the rest of the year. If

customer satisfaction is not included within the management incentive regimes then a regulatory target should be set (5.100).

Train Planning

Northern looks forward to receiving the consultation paper that was due to be published at the end of last month (5.104).

Environmental Performance

Northern supports the stance adopted by ORR.

Changes during the Control Period

The ability to modify the disaggregated targets in BP09 is important to be able to react to both internal and external changes during the five years of CP4 (6.6). Northern believes that changes to CRRs for performance and timetabling should be subject to ORR approval, as well as a matter for consultation and agreement with affected operators and stakeholders. The use of external reporters to review such CRR changes where appropriate is supported.

Impacts

Northern supports the move towards local disaggregated targets for Network Rail's outputs. In the absence of Network Rail shareholders, it is important that ORR challenges Network Rail to set challenging but achievable targets on a macro and micro level. A sharing of best practice across the company should result in a more even spread of consistent delivery and should be the basic aim of the proposed incentives.

None of the proposed measures seem to require duplication of work as the data is already captured for other purposes. If systems and databases are correctly constructed and data input correctly, virtually all of the proposed measures could be disaggregated both to Network Rail area/route/depot levels for management purposes, but also could be disaggregated TOC and FOC customers as part of the JPIP process. BP09 will identify the outputs that Network Rail will be required to deliver to Northern, so there should be targets/plans for each KPI on an annual basis for a minimum of 3 years ahead to enable Northern's Business Plan to reflect improved Network Rail delivery in future years which must be a win-win situation for the industry.

Please let me know if you require any further clarification of the comments made in this response.

Yours sincerely

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