

NOTE OF ORR'S SUSTAINABLE DEVELOPMENT WORKSHOP 24 NOVEMBER 2006

1. The aim of the workshop was to provide the industry, and any other bodies with an interest in sustainable development issues, with an opportunity to discuss the proposals outlined in the consultation document published by ORR on 11 October 2006.¹ We hoped that such an approach would help inform the responses to this consultation that are due to be submitted by 22 December 2006. A list of the attendees at the workshop is attached to this note, along with copies of the speaker's slides.
2. Sarah Straight, in chairing the workshop, stressed the importance that the event had in contributing to the ways in which ORR might decide to further discharge its sustainable development duties in the future. She set out the context of sustainable development in the railway industry, and the expectation that such issues will be reflected in both the DfT and Transport Scotland High Level Output Statements (HLOSs) which are due to be published next year.
3. It was stressed that whilst rail is generally regarded as an environmentally friendly form of transport, and part of the sustainable development solution rather than the problem, ORR's view is that the industry still has to take action if its current advantage over other modes of transport is to be maintained. Indeed, it was noted that rail's performance in terms of train weight and energy efficiency appeared to be deteriorating.
4. However, it was clear that, in taking such matters forward, there was insufficient robust information available to measure rail's environmental performance and trends. This was necessary to demonstrate both rail's advantage over other modes and identify areas for improvement. ORR supports the initiatives being taken forward by the industry on this issue, which, along with considering how financial incentives and charging frameworks might also contribute to improved performance, forms the key focus of its consultation proposals.
5. In addition to the issues outlined in the presentations the following key comments were made by workshop attendees.

ORR's sustainable development proposals – Colin Greenslade and Iain Morgan

6. Colin Greenslade (Head of Network Code Policy and the sustainable development team) and Iain Morgan (Senior Economist) explained the reasons why ORR was taking such an approach to sustainable development issues at this time, and discussed the key proposals set out in the consultation document.

¹ *ORR's sustainable development & environmental duties – a consultation document*, ORR, 11 October 2006 (<http://www.rail-reg.gov.uk/upload/pdf/304.pdf>).

7. National Express considered that, whilst the idea of an environmental incentive was positive, it would be impossible to deliver in practice. For example, older rolling stock, whilst more efficient in terms of carbon dioxide emissions, is actually more damaging in terms of general air quality. On this basis, it was questioned what improvements the charge would try to address. Concern was also expressed about ORR imposing a financial incentive without ensuring some form of protection against perverse behaviour. It was considered that a potential 50% increase in electricity charges was a sufficient incentive at present to encourage train operators to improve their performance at least in terms of energy efficiency.
8. Merseytravel expressed the view that any additional costs imposed on railway services could result in driving passengers onto the road.
9. Iain Morgan confirmed that that ORR was sympathetic to these views, noting that a level of caution to implementing such charges was set out in the consultation document. He agreed that it was important to be clear about the intention behind the implementation of any incentives and/or charges.
10. Pre-Metro Operations suggested that it was important to ensure that obstacles that currently prevent innovations which may have environmental benefits being taken forward were removed. Colin Greenslade confirmed that dialogue was ongoing between the industry and DfT to ensure that appropriate incentives were in place to encourage and allow the implementation of innovations that improve the industry's environmental performance. He also reiterated that ORR's role is not to promote but to contribute to sustainable development in the most appropriate way to meet Government's overall objectives.
11. AMCL suggested that a view needed to be taken on whether there was a need for a single industry body to take the lead in pushing sustainable development initiatives forward. It was agreed that this should be considered later on during the workshop.

Sustainable development for the Railway – Len Porter (Chair of the Rail Sustainable Development Steering Group) and Joanna Gilligan (RSSB)

12. Len Porter gave a presentation focusing on the work being undertaken by the Rail Safety and Standards Board to develop a strategy for a sustainable railway. It was stressed that the RSSB does not consider that it is leading on this work, but with its wide cross industry membership, it was able to facilitate discussions and provide knowledge management on sustainable development issues.
13. The RSSB work is based upon a three category model:
 - (a) Category 1 – where there is a business case for an individual operator to take forward an initiative on its own;
 - (b) Category 2 – where an initiative is also supported by a business case but which can be taken forward across the industry with the cooperation of train operators; and
 - (c) Category 3 – initiatives that require wider decisions to be taken, and perhaps finance provided, by policy makers and transport funders.

14. Pre-Metro Operations questioned whether any work was ongoing to investigate regenerative braking for self-powered vehicles. Whilst unaware of any particular workstream, RSSB stated the importance of considering any measures that helped improve environmental performance.

15. One of the key workstreams being taken forward by the RSSB, and one which it is hoped will feed directly into ORR's proposals, is the development of Key Performance Indicators (KPIs) against which the performance of the railway can be measured. Of the examples presented by RSSB, Merseytravel questioned why the whole issue of accessibility to railway services was only addressed by a KPI measuring step free access to platforms. RSSB explained that these issues were subject to much discussion by the Rail Sustainable Development Group who found it difficult to arrive at a suitable KPI by which to measure step access to trains. It may, instead, be appropriate to develop KPIs measuring the level of overall support that TOCs provide to disabled passengers. This will be considered further.

16. Pre Metro Operations pointed out that the product they promote emits 20% of the equivalent CO₂ of a heavy rail locomotive and has totally level passenger access on a heavy rail line, yet this service was shortly to come to an end. RSSB stated that he was aware of a number of initiatives being taken forward by train operators, Network Rail and others, and that there was a need for coordination to ensure that the sustainability of rail industry is maintained in future.

17. Merseytravel questioned the accessibility of the data used to produce the example KPIs discussed, and whether there might be any difficulty in populating the indicators in future. RSSB conceded that the consistency of data is a problem that needs to be addressed. It was considered, however, that if a suitable repository for robust data could be established this would remove any potential problems over sensitivity.

18. Whilst noting the 27 proposed KPIs developed under the RSSB workstream, National Express suggested this was too many and that the majority of stakeholders would want to focus on no more than five. However, five that might be relevant for one year might not be so important during the next and there was therefore a need for flexibility in considering which might be taken forward at any one time. ORR was urged to be cautious in setting such KPIs, either in respect of the basis for a financial incentive or in terms of performance reporting.

Towards a sustainable railway – Mark Gaynor (DfT)

19. Mark Gaynor's presentation focused on rail's performance in comparison with other transport modes, the challenge that it will face going forward, and how the 2007 HLOS will take into account the initiatives currently being considered by the industry. In terms of ORR's proposals, he suggested that, prior to adoption, ORR should be sure that they would have a positive impact on the behaviour of the industry bodies affected.

20. ATOC pointed out that, in terms of carbon emissions, rail over the past 10 years has actually improved more than any other mode of transport. However, the marginal effect of travel by rail going forward is envisaged to be very low. Mark Gaynor still considered that rail does still need to improve, and that

Ministers are keen for sustainable development initiatives to be taken forward in all policy areas. Rail has an important role to play even if its overall input is currently quite small.

21. First Group questioned whether, as rail uses only 1% of the UK electrical output, DfT was looking at whole life emissions including from electricity production so that any overall picture for the industry could be presented. Mark Gaynor confirmed that a recent study by ATOC into energy use has taken this information into account and will provide a better sense of total emissions in respect of both electric and diesel traction. The DTI is also currently considering how last year's energy review should be taken forward and DfT will be working closely with them on this issue.

Sustainable Development – Paul Plummer (Network Rail)

22. Paul Plummer expressed the view that any improvement in the rail product and its affordability will promote sustainability. The railway is considered to be a "dirty" product and any improvements will therefore increase its attractiveness, helping to make it the preferred mode of transport. To do this, the industry needs to allow initiatives to be taken forward by those that can do so most effectively.

23. When considering the use of KPIs it is important to recognise that they can create distortions. In Network Rail's view, using appraisal criteria can encourage better decisions to be made.

24. It is important for Network Rail to continually challenge its policies regarding asset maintenance and renewal. Improved efficiency in this area will lead to greater use of the network and a corresponding improvement in sustainability. Such policies need to be challenged regularly, addressing issues such as rolling stock specifications and a requirement for suppliers to address sustainable development in their own working practices. Sustainable development needs to be addressed as part of Network Rail's day-to-day business and not as an unnecessary add-on.

25. It is imperative that KPIs are owned by the industry, and Government and ORR have a key role to play in ensuring this. Financial incentives based on KPIs might be something to consider in the future.

26. Pre-Metro Operations questioned whether, as 20% of rolling stock movements are empty to and from depots, whether depots could be either concentrated in one location, or simpler servicing regimes introduced, although he realised that this would need to be a strategic decision. Paul Plummer indicated that depot strategy would be considered as part of the Network RUS, and Network Rail intended to establish a stakeholder group to consider this issue in the near future.

Association of Train Operating Companies – George Muir

27. In considering the three pillars of sustainable development, George Muir considered that the environment was currently the weakest and in need of most attention by the industry. All three pillars, however, provide a main focus for train operators, and they will only be able to sustain a business if they contribute to the whole agenda. As such, TOCs cannot choose to ignore the issue.

28. As far as ORR's role is concerned, ATOC considers that it should not consider implementing initiatives which:

- (a) duplicate those being taken forward elsewhere in the industry; or
- (b) may be overtaken by events.

29. As far as the proposal for amending the environmental guidance is concerned, George Muir felt that this would not be necessary. He did not consider that it needed widening to address the sustainable development agenda, nor that it should include specific KPIs or require train operators to report their performance. This was something that many already did through company corporate responsibility reports.

30. National Express agreed with this view, reiterating the earlier argument that ORR should not be overly prescriptive about the KPIs to be used. It was considered that ORR's focus, if improvements are going to be driven across the industry, should be on the category 2 and 3 initiatives identified by the RSSB work. ORR's role might therefore be to police the industry, whilst offering support in respect of broader initiatives proposed by Government, which may have a negative effect on modal shift.

31. Pre-Metro Operations considered that the industry should give greater consideration to the use of hybrid trains. These allow improved acceleration of units, which in turn lead to increased capacity on the network. It also considered that the adoption of such initiatives would also help to drive production in the UK as currently there is little willingness for manufacturers to invest in technology where demand is perceived as being low. ATOC considered that careful consideration of such issues was required in respect of new train design. This was, however, more of a long-term issue and progress needed to be achieved more urgently in the short term if the more immediate environmental concerns are to be addressed. Such issues also need to be taken forward by other nations, not just the UK.

Rail freight's sustainability – Graham Smith (Chairman of the RFOA)

32. Graham Smith stressed that, in general, railway people care about the railway, and care about making it sustainable. In terms of freight operators, business has grown 70% since privatisation, much of which has arisen from modal shift from road freight. Many companies have invested heavily in cleaner locomotives and quieter wagons. The new Class 66s, for example, are 6 or 7 times cleaner in terms of emissions than the old Class 37s. Freight operators are therefore addressing the challenge of sustainable development, and not simply standing still.

33. He pointed out that customers do not use rail because it is environmentally friendly. They use it because it makes economic sense to do so. There is a sense that this is changing, but economics is still the main driver for rail freight.

34. The key points expressed by Graham Smith were:

- (a) there is a need to ensure that any performance data produced is robust and gives an accurate view of rail's environmental advantage;

- (b) careful consideration needs to be given to the access charges review. ORR needs to make sure that the correct incentives are in place to encourage freight growth and encourage modal shift to the railway;
- (c) there is a need to focus on efficiency rather than charging as means of encouraging sustainability;
- (d) environmental charges should not be considered until other modes are forced to pay the true cost of their environmental impact; and
- (e) ORR must be careful not to duplicate what others in the industry are already doing.

General Discussion on emerging key issues/conclusions

35. There was a general discussion on the earlier question raised by AMCL about whether the industry should have a leader to take forward sustainable development issues. In summary, the differing views expressed were:

- (a) Network Rail might be seen as being a natural leader, although there was concern as to whether it could, or would be willing to, address issues such as KPIs reporting performance by train operators;
- (b) it was argued that key decisions need to be made about the viability of rail on a network wide basis. This is something that needs to be addressed at a modal level, presumably by DfT;
- (c) all parties have their own role to play. It would be appropriate for individual organisations to take forward issues that they are best placed to address. This should ensure the delivery of sustainable development initiatives across the industry. Leadership will vary according to circumstance and bodies should not hold back from taking things forward if they can.

36. In summary, Sarah Straight did not see ORR taking on the role as leader as our duty was to contribute to the achievement of sustainable development.

37. The consultation document is seeking views on what ORR as an organisation can do to help take this agenda forward. Sarah Straight suggested that the message coming out from the workshop was that ORR's role in helping to deliver the sustainable development agenda might be limited. In terms of metrics, the view seems to be that there should be a small number of common metrics at the highest level and that industry should think about where the priorities are and focus on those that are particularly useful. Network Rail suggested that such measures should be used to identify a baseline and subsequent progress rather than for monitoring and accountability. Such issues could be addressed later once the industry was comfortable that the KPIs chosen were appropriate and accurate.

38. National Express informed the workshop that the RSSB had made a commitment to produce an annual, industry wide, sustainable development report, which would publish such KPI information. It would also be premature to finalise a small number of KPIs at this stage and was concerned about the same KPIs being set for future years. Sarah Straight agreed that flexibility was required on this point, and that it would be important to report the specific information that the audience considered necessary and useful. It was clear that

any ORR KPI work going forward would be based upon the initiatives currently being taken forward by the RSSB.

39. In closing the workshop, Sarah Straight reminded attendees that responses to the consultation document should be submitted by 22 December 2006.

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