

John Larkinson
Chief Executive



Andrew Haines
Chief Executive
Network Rail Infrastructure Limited
By email

8 December 2020

Dear Andrew

Train service performance

The coronavirus (Covid-19) pandemic has impacted use of the rail network hugely but it remains as important as ever that passengers and freight customers receive a reliable and punctual train service.

Network Rail and train operators play vital roles in delivering that service and we hold Network Rail to account for delivery of its contribution. I am therefore writing to set out our views on its delivery so far in 2020-21, in the context of the unprecedented operating environment.

Before the pandemic, Network Rail committed to implementing plans to deliver long-term improvements in train performance. It is important that it continues to deliver these plans and so I am also setting out our views on its progress against these.

Context – train performance before the pandemic

Prior to the pandemic, the overall trend in train performance had been worsening over a number of years, but with some recent signs of improvement (using the on-time measure). As a result of this long-term trend, ORR issued a Provisional Order in 2018, and Network Rail committed to a programme of activity to improve its management of train performance, including implementing a Performance Improvement Management System (PIMS).

Immediately before the pandemic, passenger train performance varied across Network Rail's regions. Performance was strong in Wales & Western, but poor in North West & Central and Eastern. In Scotland it improved during 2019-20 but was worse than target at the end of the year.

Freight performance was below target. 92.8% of freight services were delivered successfully in 2019-20, against a target of 94%¹. Performance for freight was above Network Rail's internal target in Wales & Western and Network Rail Scotland, but below in all other regions.

In North West & Central, passenger and freight train performance fell to an unacceptable level², and we conducted a review to understand whether Network Rail was taking the appropriate action. In our report published on 29 May 2020³, we found that the region was taking positive steps to improve performance but it had not, at the time, produced time-bound improvement plans.

Train performance in the first half of 2020-21

Train performance in 2020-21 to date must be seen in the context of the exceptional operating conditions created by the response to the pandemic.

In March 2020, Network Rail successfully introduced a timetable with fewer services (approximately 54% of previous levels) to mitigate pandemic-related operational risks and ensure that passenger and freight flows were supported. Since then, it has increased service levels through a series of timetable changes, but they remain lower than pre-pandemic levels (at approximately 90%). At the same time, social distancing measures meant that passenger numbers fell to 5% of the pre-pandemic levels before recovering to approximately 30% in early November.

Reduced service levels and passenger numbers have been a key factor in helping Network Rail and the industry deliver exceptionally high levels of train performance. Lower network usage reduces conflicts between train paths and reduces the likelihood of knock-on impacts on other services (reactionary delays) when things go wrong. It also means less wear and tear on infrastructure assets and so fewer service-affecting asset failures⁴. Service level reductions have had a greater impact than operational staff absences, allowing a greater focus on recovering services quickly after disruption. Fewer passengers means less crowding and fewer delays at stations.

¹ As measured by the Freight Delivery Metric (FDM). Services are deemed to have failed the measure when they have been cancelled, or delayed by 15 minutes or more, by Network Rail or another operator that is not a commercial freight operator.

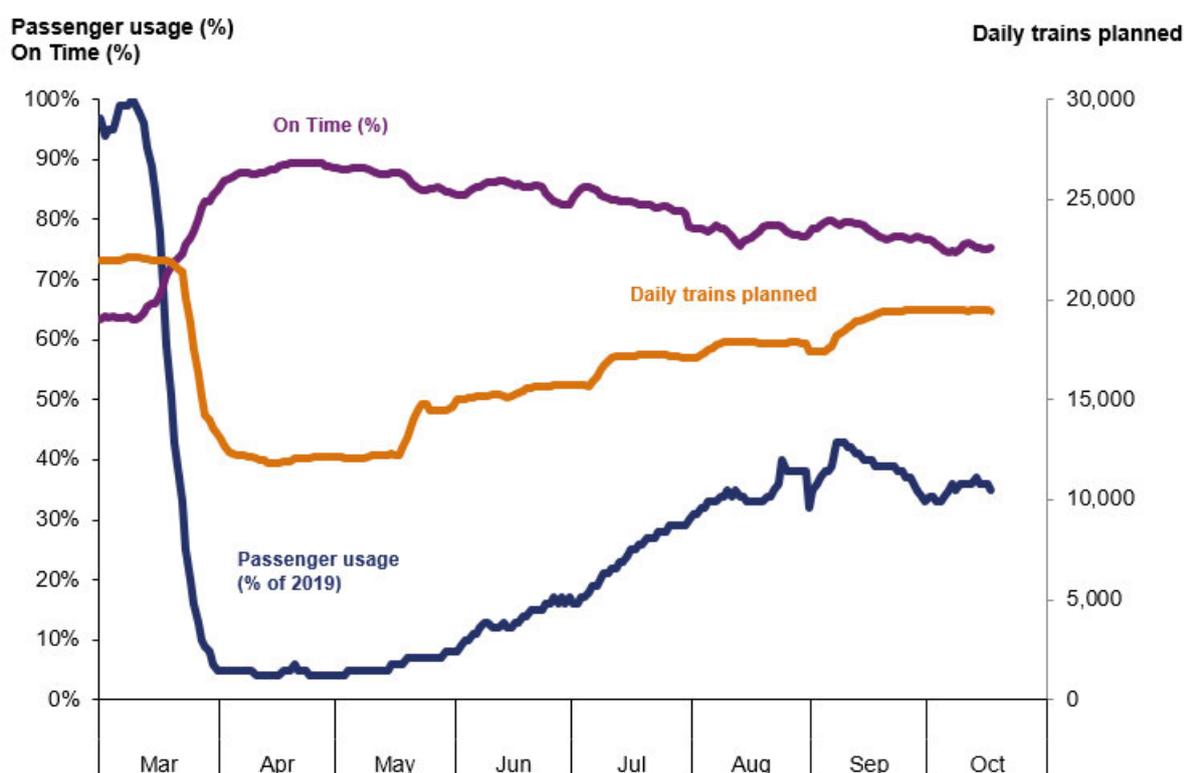
² Performance fell below the minimum level ('regulatory floor') that we set in PR18.

³ <https://www.orr.gov.uk/sites/default/files/om/north-west-and-central-performance-summary-report.pdf>

⁴ While this has a positive impact on performance, it is likely to have a smaller long-term impact on costs due to the high fixed costs of managing the rail network.

Alongside this, Network Rail has demonstrated a clear focus on train performance, including taking steps to learn from the pandemic, deliver improvement plans and improve its performance management capability. These actions are likely to have made some short-term contribution to higher levels of performance. I address these points later.

All of the above factors have contributed to step changes in train performance. For example, the on-time⁵ measure improved from approximately 65% at the beginning of March to approximately 90% in April 2020, and it remains above pre-pandemic levels at approximately 75%. In Scotland, the Public Performance Measure (PPM)⁶ was below 90% towards the end of 2019-20, but increased to more than 97% in April 2020 before reducing to 93% by November.⁷



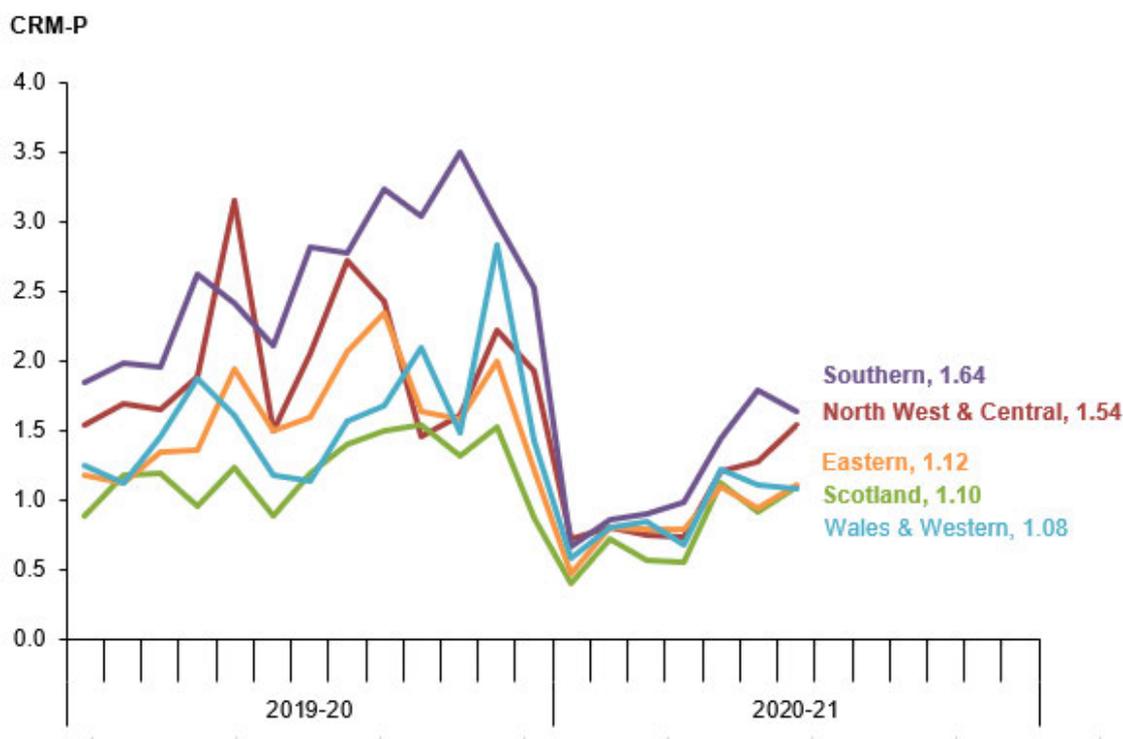
Measures of Network Rail’s contribution to performance have also improved sharply. Network Rail-attributed delays per 100km of train travel (Consistent Route Measure, CRM-P) have improved in all regions. For example, delays per 100km of train travel

⁵ On-time measures the percentage of passenger trains that arrive on time (within one minute of scheduled) at recorded station stops.

⁶ PPM measures the percentage of passenger trains that arrive at their final destination within five minutes of their scheduled time (10 minutes for long-distance trains).

⁷ Figures are periodic.

in Southern region reduced from 3.5 minutes towards the end of 2019-20 to 0.7 minutes in April 2020.⁸



Freight performance has also improved sharply. Between March and April 2020, Network Rail's delivery of freight performance (as measured by the Freight Delivery Metric, FDM) improved from 92% to 98%.⁹

Due to the changed operating environment, the trajectories and targets that Network Rail was previously working to for this year are less relevant. We have therefore adopted a more qualitative approach to assessing Network Rail's train performance delivery¹⁰. We have focused on:

- understanding whether it is doing all it reasonably can to retain as much of the performance improvement as possible while supporting train service levels (including revising its targeted performance through its business planning process); and

⁸ Figures are periodic.

⁹ Figures are periodic.

¹⁰ As set out in our May 2020 letter on holding Network Rail to account during the pandemic, <https://www.orr.gov.uk/sites/default/files/om/holding-network-rail-to-account-during-the-coronavirus-pandemic-2020-05-06.pdf>.

- continued monitoring of its delivery of previously agreed train performance improvement plans.

Network Rail's management of train performance

While train performance is currently excellent compared to historical levels, it is vital that Network Rail continues its work on the fundamentals of good performance planning and management.

Learning from performance during the pandemic

We have seen good evidence of Network Rail's System Operator (SO) collaborating across the industry when planning and implementing contingency timetables over the last six months. The SO has worked with industry stakeholders to sustain higher levels of performance by addressing timetable-related constraints. For example, it has sought to identify and remove (or not reinstate) those services that have the greatest adverse impact on whole-network performance. It has also identified stations where planned train dwell times are exceeded even during benign operating conditions and started to make changes that address this.

Network Rail is currently undertaking further work to understand what other lessons can be taken from performance during the last six months with a view to improving operational performance longer-term. For example, it is reviewing changes to maintenance practices and their impact. We support this initiative and will monitor the work.

Given the importance of freight services during the pandemic, we have been pleased to note an increased focus on freight performance in the regions. Freight boards have been established in some regions and we have seen the coordination of effort through the Freight Industry Performance Group. The initiative to implement a 'mobile fitter' to attend breakdowns on the North London Line is a good example of resulting work to improve performance.

We have also seen evidence of Network Rail reviewing risks to current good train performance and seeking to manage these where possible, in collaboration with the wider industry. Examples of these risks include: the pandemic further affecting the availability of operational staff; insufficient train service capacity to match demand; dwell times at stations being impacted by social distancing; impact of social distancing on maintenance and renewal delivery; and backlogs associated with people capability (such as updating of competencies). Network Rail has established industry recovery working groups to address these challenges.

Overall, we consider that Network Rail is currently carrying out appropriate activities to learn from recent exceptional performance and to seek to retain benefits going forward. It is important that this work is seen through to its conclusion and that Network Rail continues to manage risks to performance actively. I have separately written to you with respect to Network Rail's delivery during the coronavirus

pandemic, and have highlighted those risks that ORR considers need particular focus over the coming months in that letter¹¹.

Amending business plans

As set out above, Network Rail's previously agreed trajectories and targets for train performance are now less relevant given the changed operating environment. It has decided not to revise them for 2020-21 because the situation remains fluid, making any forecast very uncertain. It is therefore important that Network Rail provides clear evidence and commentary at year end on how it has managed performance.

As and when the situation stabilises, Network Rail must revise its business plans and establish appropriately challenging but deliverable train performance targets through engagement with industry stakeholders – including operating companies, funders and ORR. We are currently engaging with your team on the process being adopted to set train performance outcomes for 2021-22.

Delivery of previously agreed performance improvement plans

As stated above, in its response to ORR's Provisional Order, Network Rail committed to a programme of work to improve performance. We have seen strong industry-wide buy-in to this programme at a senior level, including through the National and Regional Performance Boards which are providing good oversight of performance improvement initiatives.

Network Rail has worked with industry to identify and take forward strategic initiatives to improve performance. These are captured in the Network Reliability Action Plan (NRAP). NRAP covers seven priority challenges such as planning for operational resilience and recovery, and removing systemic blockers (for example, lack of performance management capability). Within these priority areas, the industry is taking forward 11 high impact workstreams, such as identifying and removing service groups that have the greatest negative impact on performance, and improving timetable performance modelling. A six-month plan is being developed to accelerate delivery of the highest impact workstreams. We welcome Network Rail's contribution to NRAP and its focus on prioritised performance improvement initiatives.

A key element of Network Rail's performance improvement programme (and part of NRAP) is the Performance Improvement Management System (PIMS). This is aimed at delivering a systematic and rigorous approach to train performance management – through a combination of frameworks, policies, tools and guidance.

PIMS includes the introduction of a performance management capability model (RM3-P) to assess capability, identify weaknesses and develop action plans. It also

¹¹ <https://www.orr.gov.uk/media/21843>

includes the development of improved cross-industry performance strategies and performance improvement plans. In the last six months, we have engaged Network Rail's regions on their planned implementation of RM3-P and found generally strong uptake and commitment to using the tool to drive long-term capability improvements. We have also seen a marked improvement in performance strategies, but with remaining opportunity to share best practice. To this end, we note the establishment of the PIMS good practice library which promotes shared learning, feedback and continuous improvement.

It is now vital that Network Rail, working with stakeholders, embeds good practice across the industry. We will continue to monitor this closely.

Separately, we undertook a review of passenger and freight train performance in the North West & Central region during 2019-20. The objective of the review was to investigate whether the region had identified the factors which caused a sustained reduction in passenger and freight performance and whether it was doing everything reasonably practicable to address them.

In our report published in May 2020, we found that the region was taking positive steps to improve performance, including through its Project Alpha performance improvement programme. But it had not, at the time, produced time-bound improvement plans. We consolidated our conclusions into 25 recommendations that would strengthen these improvement plans.

We consider that the region has since made reasonable progress against the majority of our recommendations, when considered in light of the impact of the pandemic, Network Rail's transformation programme and reprioritisation following the Carmont incident. It has delivered well on our recommendations relating to Project Alpha, Putting Passengers First and industry engagement, and we have seen good evidence of it learning from best practice and improving engagement to deliver a better cross-industry approach to train performance. The region has made good progress in developing joint performance strategies and capability assessments with operators, as set out above.

However, progress against certain recommendations in the areas of asset management and train operations has been slower than we would have expected. For example, while there has been some progress against the nine asset management recommendations, only one, relating to root cause analysis of unexplained failures, is close to completion.

We will continue to monitor delivery closely and to hold the region to account on progress against the recommendations. We would also like to work with your teams to assess the benefits of those activities which have already been incorporated into normal business.

We are writing to your North West & Central regional managing director to set out further detail of our assessment, and to report on progress against all of our recommendations.

Summary

In summary, Network Rail has played a significant role in the national response to the pandemic, ensuring that the railway has been kept open to those who need to travel and to keep freight flowing. There has been a marked uplift in levels of train service performance during the pandemic, reversing a downward trend over the preceding few years. Whilst it has been an unusual operating environment, Network Rail has strengthened its performance management capability and made good progress in delivering its longer-term performance improvement plans, working effectively with wider industry stakeholders. It has also made reasonable progress with its North West & Central performance improvement plans given the exceptional operating conditions. The challenge for Network Rail will be to retain these performance improvements as passengers and freight return to the network.

I am placing a copy of this letter on our website.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Larkinson', with a long horizontal stroke extending to the right.

John Larkinson
Chief Executive