Annual assessment of Network Rail’s stakeholder engagement 2019-20

28 August 2020
1. Executive summary

1.1 Good stakeholder engagement is at the heart of running an effective business that listens to and delivers for its customers and stakeholders. In control period 6 (CP6, which runs from 1 April 2019 to 31 March 2024), Network Rail should be engaging with its stakeholders in a way that improves delivery for passengers and freight end users and enhances value for money. Network Rail has identified stakeholder engagement as a fundamental part of how it seeks to improve its performance on a continuous basis.

1.2 This document sets out our views on the quality of Network Rail’s stakeholder engagement during the first year of CP6. We have considered the engagement carried out by its five regions, the System Operator (SO) and the Freight and National Passenger Operator (FNPO), and the extent to which they have demonstrated our four principles of good stakeholder engagement:

(a) **Inclusivity:** Engagement seeks to involve all relevant stakeholders in a fair and proportionate manner;

(b) **Effectiveness:** Engagement supports delivery of a safer, more efficient and better used rail network, including by ensuring that stakeholders’ views are duly taken into account;

(c) **Good governance:** Engagement is underpinned by effective processes and governance arrangements that encourage meaningful engagement; and

(d) **Transparency:** Business units provide sufficient information to stakeholders to enable proper engagement; and can demonstrate how they have engaged with their stakeholders and how this has influenced their actions and delivery.

1.3 We have focused primarily on how business units have engaged on annual business planning and on developing and agreeing scorecards, as these processes underpin what they deliver (and how they deliver this) for their stakeholders. We have also had regard to other aspects of year 1 engagement, and to their more recent engagement during the early part of year 2 of CP6.

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1 As explained in Section 2, in this document we refer to these collectively as Network Rail’s business units.

2 Scorecards are used by Network Rail to measure its company-wide and regional performance in core areas of its business, through sets of metrics and targets.
Overall findings from stakeholder survey

1.4 An important input to our assessment has been a survey of Network Rail’s stakeholders about how well they have been engaged, which was conducted during June 2020. Box 1 summarises stakeholders’ overall perceptions of their engagement, based on our survey findings. In general, stakeholders were broadly satisfied with their engagement, both during year 1 of CP6 and in recent months.

1.5 This survey was particularly affected by the disruption to industry caused by the coronavirus pandemic, with the result that it covers a relatively small sample of Network Rail’s stakeholders (32 respondents). As such, while the results are informative, they cannot provide a complete picture of stakeholder perceptions.

Box 1: Overall perceptions of engagement

- Overall satisfaction with year 1 engagement is relatively high. The majority of respondents to our stakeholder survey (around 70%) were very or quite satisfied with how well they had been engaged, including on annual business planning. No respondent was very dissatisfied with their year 1 engagement.

- Satisfaction with business units’ more recent engagement – particularly in response to the coronavirus pandemic – is also relatively high at around 70%. Just one respondent was very dissatisfied with their engagement over recent months.

- The quality of engagement appears to be improving. 44% of survey respondents who had previous experience of working with Network Rail said that their engagement improved in the first year of CP6, compared with CP5. Just one respondent said that their engagement had got worse since CP5.

Proportion of survey respondents rating engagement as “very good” or good”

- Understanding my organisation’s needs and priorities: 67% (20/30)
- Providing sufficient information to enable proper engagement: 67% (20/30)
- Seeking to involve all stakeholders in a fair and proportionate manner: 63% (19/30)
- Ensuring my organisation’s views are taken into account: 60% (18/30)
- Ensuring engagement is underpinned by effective processes: 57% (17/30)

Results in Box 1 are based on 30 online survey respondents. The Department for Transport (DfT) and Transport Scotland completed a phone interview. 142 individuals were contacted about the survey in total.
Summary of our assessment

1.6 In assessing business units’ engagement against each of our four principles, we have had regard to both the qualitative and quantitative evidence provided by stakeholders through our survey. We have also taken account of information from Network Rail. We have focused on identifying the main strengths and areas for improvement, as we consider this will add most value in driving improvements in how business units engage with their stakeholders during the rest of CP6.

1.7 On the whole, we found that business units’ engagement was broadly inclusive. Their engagement also demonstrated aspects of the other principles, but we consider there remains room for further improvement in these areas (though the extent of this varies across business units, and across different aspects of engagement). A summary of findings against each principle is set out below:

(a) **Inclusivity:** Business units engaged with a good range of stakeholders during year 1 of CP6, through a range of methods and forums. Survey feedback suggests that business units’ engagement could be more inclusive on business planning and on issues relating to disability and rail travel, by ensuring that all relevant stakeholders are given the opportunity to provide appropriate input in these areas;

(b) **Effectiveness:** The majority of survey respondents found their engagement to be effective (including on business planning, for those who engaged on this), but there is room for improvement. In general, business units could better demonstrate how they are taking stakeholders’ views into account or, where they can’t, why not (by having a ‘line-of-sight’ between stakeholders’ priorities and their activities). There is also scope to improve how scorecards are used by customers to understand and challenge performance;

(c) **Good governance:** The majority of survey respondents also found engagement to be well-governed, although this could be improved further by, for example, being timelier. In respect of scorecard engagement, customer feedback indicates there was variation both within and between business units in the quality of processes for setting performance targets; and

(d) **Transparency:** Business units generally provided sufficient information to stakeholders to enable proper engagement, but could publicly report in more detail on how they have engaged with their stakeholders and how this has

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4 The inputs used to inform our assessment are described in more detail in Section 2.
influenced their plans and activities. The information that business units provide to us in this respect could also be clearer and more focused.

1.8 Table 1 below summarises the key areas of good practice and improvement for each business unit. Rather than presenting a full summary of the quality of their engagement, we highlight the areas identified in our assessment that are most relevant i.e. aspects for which we or stakeholders considered the business unit to be notably strong, or where there is clearest room for improvement.

Next steps

1.9 Good stakeholder engagement should involve a continuous process of improvement. By building on the experience of year 1, with clear, region-specific or function-specific engagement strategies and processes in place, we expect business units to make further progress during year 2 (and the rest of CP6) in the way in which they engage their stakeholders.

1.10 We will assess Network Rail’s engagement with its stakeholders over year 2 of CP6, having particular regard to how business units have taken on board the areas of improvement identified in this assessment. Our approach to the year 2 assessment is discussed in Section 5.

Structure of this document

1.11 The rest of this report is structured as follows:

(a) Section 2 explains the background and approach to our assessment;

(b) Section 3 summarises our survey findings on stakeholders’ overall perceptions of the quality of business units’ engagement;

(c) Section 4 presents our assessment of business units’ engagement against our four principles of good engagement, focusing on business planning and scorecard engagement; and

(d) Section 5 sets out our approach to assessing Network Rail’s stakeholder engagement in year 2 of CP6.
<table>
<thead>
<tr>
<th>Business unit</th>
<th>Key areas of good practice and improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern</td>
<td>Eastern engaged with a wide range of stakeholders in year 1, though stakeholder feedback suggests that engagement with Community Rail Partnerships could be more forthcoming. Eastern has also been working to develop route-specific stakeholder engagement strategies, as well as an overarching regional strategy, which should help to improve its overall governance around engagement. For year 2, there is scope for Eastern to improve the governance and processes around setting performance targets in customer scorecards – particularly for customers who overlap with other regions (North West &amp; Central). Feedback also suggests Eastern can do more to ensure stakeholder views are taken into account. In doing this, it could more clearly demonstrate how its engagement activities have influenced its revised priorities and activities (i.e. provide a clearer line-of-sight).</td>
</tr>
<tr>
<td>FNPO</td>
<td>The FNPO’s Strategic Plan provided one of the clearest lines-of-sight between its stakeholder priorities and its year 2 priorities and activities (including timings and actions for delivery), which helped to demonstrate how its engagement was effective. It also appeared to have a well-governed and collaborative engagement process to agree performance targets in its customer scorecards (passenger; freight; and charter). To improve the overall effectiveness of its engagement, and ensure freight stakeholders are represented at a Network Rail-wide level, the FNPO could strengthen its internal processes and its collaboration and influence with other business units. Further progress can also be made on delivering its PR18 governance, accountability and transparency commitments (though one such commitment – to publish an annual report – is due soon).</td>
</tr>
<tr>
<td>Network Rail Scotland</td>
<td>The information provided by Network Rail Scotland included a clear summary of its engagement activities and outcomes in respect of each major stakeholder, which helped to demonstrate how its engagement was effective. It also published a bespoke Annual Stakeholder Report for year 1, which supports a transparent engagement approach. While Network Rail Scotland generally engaged with a good range of stakeholders, one stakeholder noted there may be scope for more formal day-to-day engagement on accessibility issues. Another respondent noted that discussions on annual business planning could start earlier, to improve the timeliness of engagement.</td>
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<tr>
<td>North West &amp; Central</td>
<td>Stakeholder feedback suggests North West &amp; Central’s engagement was generally effective though, like Eastern, it could more clearly demonstrate how its engagement activities have influenced its revised priorities and activities. North West &amp; Central did provide a self-assessment of the quality of its engagement with all major stakeholders, and has been developing a new operating model to identify and prioritise customer needs, suggesting it is seeking to understand and improve the effectiveness of its engagement. Feedback suggests that North West &amp; Central could also improve the governance and processes around setting performance targets for some customer scorecards, as well as the use of scorecards to facilitate meaningful discussions with its customers around understanding and effectively challenging performance.</td>
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</tbody>
</table>
| **Southern** | Stakeholders’ overall satisfaction with Southern’s engagement – for year 1 and in recent months – was high, and feedback suggests there has been a clear improvement in year 1 of CP6 compared with CP5. Engagement with the supply chain appeared strong. Furthermore, Southern appeared to have a well-governed and collaborative engagement process with train operator customers to agree performance targets in scorecards, with good levels of agreement.  
As with other business units, to demonstrate that its engagement is effective, Southern could more clearly show how its engagement activities have influenced its revised priorities and activities. It could do this by documenting and reporting more transparently on its stakeholder engagement, both publicly and in the information that it provides to ORR. |
| **SO**       | The SO has taken some notable steps to make its engagement transparent, including through its annual reporting and publicising its Advisory Board activities.  
As with other business units, to demonstrate that engagement is effective, the SO could more clearly show how its engagement activities have influenced its revised priorities and activities. The SO’s own primary research has also identified a need for a greater level of customer involvement in planning and decision making, and the SO has committed to an action plan to achieve this, which is welcomed. |
| **Wales & Western** | Like Southern, Wales & Western appeared to have a well-governed and collaborative engagement process with train operators to agree performance targets in scorecards, with good levels of agreement.  
As with other business units, to demonstrate that engagement is effective, Wales & Western could more clearly show how its engagement activities have influenced its revised priorities and activities, including in the way that it reports on stakeholder engagement. Furthermore, stakeholder feedback indicates there is a need to ensure engagement is underpinned by effective processes, and to provide sufficient information to enable proper engagement. |
2. Background to assessment

2.1 In our PR18 Final Determination, we placed emphasis on the importance of good stakeholder engagement. While we were not prescriptive about how Network Rail engages with its stakeholders over CP6, we set out some expectations for how it should act to achieve the full benefits of good stakeholder engagement for the railway.

2.2 We also committed to conducting an annual assessment of the quality of Network Rail’s stakeholder engagement. The purpose of this assessment is to incentivise Network Rail to improve its engagement, as well as helping to promote the adoption of good practice across the organisation. It forms part of our broader approach to facilitating improvements in Network Rail’s stakeholder engagement over the course of CP6.

Overall approach

2.3 In assessing the quality of Network Rail’s engagement, we have focused on the engagement carried out by each of Network Rail’s regions, as well as the SO and FNPO functions. Collectively, we describe these seven entities as Network Rail’s business units. An important aspect of our assessment has been to identify differences in business units’ engagement, in particular where there are examples of good practice by one or more business units.

Scope of assessment

2.4 Our assessment focused on how well business units have engaged with their stakeholders on annual business planning and on developing and agreeing scorecards. This reflects our view that Network Rail’s customers and other stakeholders should play a role in influencing what Network Rail delivers, and how

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7 During year 1 of CP6, Network Rail has undergone an internal reorganisation called Putting Passengers First (PPF). It now delivers through five regions: Eastern; North West & Central; Network Rail Scotland; Southern; and Wales & Western. These regions are supported by national functions including the SO and the FNPO.
it does this, as well as being able to effectively challenge it where performance falls below what is expected\(^8\). It also reflects some concerns that were raised with how Network Rail engaged with its customers on scorecards, in the context of our review of Network Rail’s Strategic Business Plans for PR18.

2.5 In light of the recent disruption to the rail industry caused by the coronavirus pandemic, we consider these areas remain an important aspect of Network Rail’s engagement. Network Rail may need to revise some aspects of its strategic plans, taking into account changes to how the network is being used or the impact of potential changes to its available funding. It is important that stakeholders are given the opportunity to inform the way in which these strategic plans change during CP6, including in response to coronavirus impacts, so that they remain focused on delivering the priorities that matter to stakeholders.

2.6 While these areas have been our primary focus for year 1 of CP6, we recognise that there is a broad span of activities in which good stakeholder engagement can lead to improved outcomes. As such, we have also considered other aspects of business units’ engagement, to the extent that these have been raised by either Network Rail or its stakeholders in the evidence provided to us. This includes its engagement during the early part of year 2 of CP6 on the operational impacts of the coronavirus pandemic.

**Assessment framework**

2.7 We expect Network Rail to observe our *four principles of stakeholder engagement* in the way it engages with its stakeholders (inclusivity; effectiveness; good governance; and transparency). These principles are explained in more detail in Section 4. We have considered the quality of Network Rail’s stakeholder engagement against each of these principles.

**Inputs to our assessment**

2.8 To inform our assessment, we have drawn primarily on the following evidence:

- **Stakeholder feedback.** We commissioned Savanta ComRes, a market research company, to conduct an online survey of Network Rail’s stakeholders during June 2020 to gather views on how well they had been engaged during year 1 of CP6. They obtained responses from 32

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\(^8\) As such, we said in our PR18 Final Determination that we expect Network Rail to engage at a minimum in these areas. See paragraph 3.25, ORR, *PR18 Final Determination: Overview of approach and decisions.*
stakeholders\textsuperscript{9}. We also obtained separate feedback from 22 train operators on business units’ specific engagement in respect of agreeing their year 2 measures and targets on customer scorecards\textsuperscript{10}; and

- **Information submitted to ORR by business units at the end of year 1.**
  Each business unit submitted an updated Region Strategic Plan (or Function Strategic Plan, in the case of the SO and FNPO). Business units also submitted a range of supplementary information which they considered relevant to their year 1 stakeholder engagement. This included engagement strategies, results of primary research (e.g. Pulse surveys), self-assessments and notes of various engagement activities and forums.

2.9 Additionally, we have taken account of views provided by Railway Board chairs on Network Rail’s engagement via the Boards\textsuperscript{11}. We have also taken advice on our assessment from a sub-group of the ORR’s consumer expert panel\textsuperscript{12}.

**Impact of the coronavirus pandemic**

2.10 The coronavirus pandemic has led to exceptional challenges for society – and this is just as true for Network Rail and the rail sector more widely. These challenges have also affected our approach to this assessment. In particular, it required us to postpone our stakeholder survey from April to June 2020. It is also likely to have affected stakeholders’ ability to participate in the survey, which has impacted the breadth and depth of the evidence base for our assessment.

2.11 As such, in assessing the quality of business units’ stakeholder engagement, we have focused on identifying the main strengths and areas for improvement (rather than providing a holistic view, or grading, of the quality of their engagement). We

\textsuperscript{9} As funders for the railway, the DfT and Transport Scotland provided views through a detailed telephone interview, rather than an online survey. [Savanta ComRes’ report](https://orr.gov.uk/about-orr/how-we-work/expert-advisors/consumer-expert-panel) on the feedback gathered through this survey is published separately.

\textsuperscript{10} This feedback was provided as part of a process coordinated by Network Rail in February and March 2020 to confirm to ORR and DfT what measures and targets had been agreed on customer scorecards.

\textsuperscript{11} Railway Boards are senior-level forums that were established towards the end of CP5 to bring together routes / the SO with their customers. They comprise senior representatives from Network Rail, the relevant operators, Transport Focus and, where appropriate, local or national funders. They are chaired by an independent member. Currently, there are active Boards covering the Anglia route; Chilterns; North of England; Wales route; Western route; and West coast mainline route. There is also an SO Advisory Board.

\textsuperscript{12} Our consumer expert panel is made up of individuals with a range of academic, advocacy, consumer research and commercial expertise who can review, challenge and advise on our business planning, regulatory policies, policy development, impact assessment and research agenda to help us develop clear and robust evidence of consumer outcomes in the rail and road industries. More information is available on our website: [https://orr.gov.uk/about-orr/how-we-work/expert-advisors/consumer-expert-panel](https://orr.gov.uk/about-orr/how-we-work/expert-advisors/consumer-expert-panel).
consider that this will add the most value in terms of promoting the adoption of good practice across business units and in driving improvements more generally how business units engage with their stakeholders during the rest of CP6.

2.12 To develop our understanding of Network Rail’s stakeholder engagement, as part of future assessments, we will seek to obtain views from a wider range of stakeholders than we have obtained for year 1 of CP6.
3. Stakeholders’ overall perceptions of engagement

3.1 This section presents our findings on stakeholders’ overall perceptions of Network Rail’s engagement, based on the results of our stakeholder survey.

3.2 In interpreting these results, we recognise that this survey covers a relatively small sample of Network Rail’s stakeholders (32 respondents). As such, it cannot provide a complete picture of stakeholder perceptions. Nevertheless, the sample covers all business units as well as their major stakeholder groups. Taken alongside the qualitative feedback and other information, we consider the results are informative in providing a broad indication of the quality of Network Rail’s engagement over year 1 and the early part of year 2 of CP6.

Overall satisfaction with year 1 engagement is relatively high

3.3 The majority of survey respondents (around 70%) said that they were very or quite satisfied with business units’ engagement during year 1 of CP6. No respondent reported they were very dissatisfied with the overall quality of their engagement. The DfT also said there had been good levels of engagement with Network Rail during year 1, while Transport Scotland reported improved levels of engagement.

Figure 3.1: Overall satisfaction with the quality of engagement during year 1 of CP6

Thinking about the first year of CP6, how satisfied or dissatisfied would you say you were with [business unit’s] engagement with your organisation? Respondents answered in relation to all business units with which they engaged. One respondent (Disabled Passengers Transport Advisory Committee) commented on Network Rail’s engagement in general. DfT and Transport Scotland provided views through a phone interview, so are not included in Figure 3.1.

13 67% (20 / 30) of respondents were very / quite satisfied with their primary business unit’s engagement. For engagement with other business units, respondents were very / quite satisfied with 71% of interactions.
3.4 Notwithstanding this positive feedback, Figure 1 shows that a significant minority of respondents (around 17%, or five out of 30 respondents) said they were quite dissatisfied with the quality of their primary business unit’s engagement (i.e. their main point of contact with Network Rail). Overall satisfaction among train operators and community rail partnerships (CRPs) was generally more mixed. For instance, CRPs in the Eastern and Wales & Western regions said engagement on community rail issues needs to improve, while CRPs who commented on engagement with other regions were generally satisfied.

3.5 We discuss some of the specific areas for improvement raised by stakeholders in more detail in Section 4.

**Satisfaction with more recent engagement – particularly in response to the coronavirus pandemic – is also relatively high**

3.6 We said in our most recent Annual Assessment of Network Rail that Network Rail’s management of its response to coronavirus has been strong. In particular, it has worked with governments, the Rail Delivery Group and the wider sector (as well as ORR) to establish the industry crisis management structure, and has engaged collaboratively via industry forums to ensure business continuity.

3.7 This is consistent with our stakeholder feedback; around 70% of survey respondents (21 out of 30) said that they were very or quite satisfied with the quality of their engagement over the past few months, especially on issues related to the coronavirus pandemic, with just three respondents reporting dissatisfaction with engagement during this period. All 5 respondents who primarily engage with Southern said that they were very satisfied with this aspect of its engagement, as were all four supply chain organisations who participated in the survey.

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14 CRPs bring together local groups and partners along railway lines with the aim of delivering a range of community engagement and promotional activities, and helping local communities to have a voice in railway development so it meets their needs.

15 Severnside CRP said that Wales & Western’s timescales for document reviews and approvals are unreasonably lengthy, and that it should provide more regular formal updates. None of the three CRP respondents in the Eastern region were satisfied with their engagement over year 1, with two respondents reporting a lack of engagement (one of which said that Eastern urgently needs to review how it engages with CRPs). However, the other CRP in the Eastern region noted the Norwich, Yarmouth, Lowestoft modernisation project as one example of particularly good engagement.

16 The Devon and Cornwall CRP was very satisfied with the Wessex route’s engagement (in the Southern region) on the Salisbury – Exeter line. Both CRPs who commented on North West & Central’s engagement were quite satisfied, though one noted it could simplify its processes to make it easier to work with them.

The quality of engagement appears to be improving

3.8 Among respondents who had previous experience of working with Network Rail, 44% (11 respondents) said that engagement in year 1 of CP6 was better than in CP5 (including all five respondents who primarily engage with Southern). Only one survey respondent said their engagement in year 1 of CP6 was worse than in CP5, with the other respondents (13 respondents) reporting that the quality of engagement had stayed about the same. Several respondents also commented that there have also been noticeable improvements in how proactive business units had been during year 1 of CP6, as well as in more recent months.

3.9 Furthermore, all business units conducted some form of primary research over the course of year 1, one aim of which was to understand how engagement could be improved in future. This research ranged from regular ‘pulse checks’ to annual surveys, such as the SO’s customer advocacy survey (as described below).

3.10 We welcome this research, and we expect the findings will be reflected in business units’ updated engagement strategies to underpin further improvements in how they engage during year 2 of CP6 and beyond. As noted by some survey respondents, this is particularly important to ensure that business units can continue to effectively identify and address the medium-term impacts of the coronavirus pandemic, for stakeholders and wider industry.

Box 2: The SO’s Customer Advocacy survey

During autumn 2019, the SO conducted a customer advocacy survey. This involved interviews with 117 individuals and 61 organisations. Overall, just over two thirds (71%) of participants agreed that the SO engages well with them. The SO used the survey results to identify five areas for improvement, including being more transparent and collaborating more so there is a greater level of customer involvement in planning and decision-making.

The results were also reflected in its updated Strategic Plan (March 2020), and the SO has said it will develop robust action plans aligned to these areas. This demonstrates a positive commitment by the SO to continuous improvements in how it engages with its customers.

18 Furthermore, the DfT said that its engagement with Network Rail had improved considerably compared with CP5, helped by more regular calls to discuss issues with its delivery and business planning.

19 North West & Central also provided us with a self-assessment of their engagement, which rated their engagement with each stakeholder on a 1-5 scale, to identify where improvements needed to be made.
4. Assessment against principles of good engagement

4.1 In this section, we have considered how well Network Rail engaged during year 1 of CP6 against each of our four principles of good engagement.

4.2 We have focused primarily on business units’ engagement on annual business planning and scorecards. We have sought to identify the main strengths and areas for improvement demonstrated in respect of each of the principles, as we consider this will provide the most value in terms of driving improvements in the quality of future engagement. As set out in Section 3, we recognise that stakeholders’ overall satisfaction with their year 1 engagement was relatively high.

4.3 Our assessment has also been informed by discussions with a sub-group of ORR’s consumer expert panel. Box 3 below summarises its observations on Network Rail’s stakeholder engagement.

Box 3: The importance of good stakeholder engagement

Trisha McAuley OBE, Rob Sheldon, Ray Kemp (ORR Consumer Expert Panel members)

We welcome the ORR’s involvement of its Consumer Expert Panel in this important work. We also welcome the clear improvements in stakeholder engagement that appear to have been made by Network Rail. The ‘direction of travel’ appears to be good, despite the recent challenges of the coronavirus pandemic. The messages from stakeholders who have engaged with Network Rail are broadly positive and we have seen examples of good quality engagement.

We recognise the difficulties in obtaining representative and reliable data on performance during the past several months and it is important to understand how the overall picture of performance can be skewed by ‘patchy’ data. This tells us that it is essential to continue to monitor performance on stakeholder engagement and to obtain feedback from key stakeholders and passengers.

However, from the data available, there were inconsistencies in the use of scorecard information. We also note that while a number of business units took steps to obtain feedback from those with whom they engaged on the quality of the engagement, there appeared to be no ‘self-reflection’ within Network Rail on how that engagement was improving the quality of performance. We also did not see the clear ‘golden thread’ or line-of-sight between stakeholder priorities and Network Rail’s business planning that sits at the heart of the ORR’s framework expectations.

It has never been more important than now, as we face the challenge of economic and social recovery from the coronavirus pandemic, that Network Rail puts stakeholders and consumers at the heart of its business and that it does not lose sight of its purpose, which is to serve passengers and those who use the railway system. The voice of consumers and stakeholders will only be heard properly if Network Rail delivers leadership in bringing the ‘golden thread’ to life at the strategic level and at the heart of its business planning.
Inclusivity

**Principle 1:** We expect Network Rail’s engagement to be inclusive, in that the engagement seeks to involve all relevant stakeholders in a fair and proportionate manner and adopts different approaches to reflect stakeholders’ differing capacities and interests.

**Business units engaged with a good range of stakeholders during year 1 of CP6, through a range of methods and forums**

4.1 Business units demonstrated that they engaged with the relevant passenger and freight operators (as well as charter operators and prospective open-access operators, in the case of the FNPO); funders; user groups; passenger representative groups; local stakeholders such as CRPs; and the supply chain. A majority of respondents to our stakeholder survey (63%, or 19 out of 30 respondents) agreed that business units sought to involve all relevant stakeholders in a fair and proportionate manner, with 17% (five out of 30) disagreeing. Overall, this suggests that engagement is broadly inclusive.

4.2 Business units’ stakeholder engagement strategies also demonstrate that a range of engagement methods and forums were used. All business units used more than one method to engage on annual business planning (e.g. face-to-face-meetings, emails and telephone calls), and there was extensive use of their regular boards as well as Alliance meetings with regions’ major train operators. Some business units organised consultations and workshops / conferences as a way of seeking input from multiple stakeholders. Survey respondents who engaged in business planning said they were generally satisfied with the methods of engagement used.

**Box 4: Railway Boards**

Alongside their other engagement forums, some business units continue to engage with key stakeholders through Railway Boards and the SO Advisory Board. These Boards comprise senior representatives from Network Rail, the relevant operators, Transport Focus and, where appropriate, local or national funders. They meet regularly to discuss

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20 For example, the FNPO organised separate freight operator / freight customer and passenger / charter forums in late 2019 and 2020 to discuss, understand and refine stakeholder priorities ahead of the March 2020 Delivery Plan update.
performance in their route / region, as well as facilitating joint working between Network Rail and stakeholders, particularly in respect of key strategic priorities for the rail network.

Discussions with Railway Board Chairs indicate that these are working well, with Network Rail engaging constructively on all issues raised. However, we note that active Boards are not present in all regions (or for the FNPO). Some Boards that were originally planned have also not yet been established, following agreement that this should wait for, and be aligned to, the recommendations of the Williams Review.

**Engagement could be more inclusive on business planning and issues relating to disability and rail travel**

4.3 Around half of survey respondents said they had not been engaged by business units specifically on annual business planning – particularly among CRPs and industry associations / representative groups. We recognise that this may in part reflect these stakeholders’ own engagement priorities. Nevertheless, we consider it is important that business units continue to provide opportunities for all relevant stakeholders to input into the annual business planning process. This is particularly the case as they start to develop plans for CP7.

4.4 The Disabled Passengers Transport Advisory Committee (DPTAC) also said Network Rail could engage more frequently and effectively on issues relating to disability and rail travel. Likewise, the Mobility and Access Committee for Scotland (MACS) said that there had been a lack of engagement by Network Rail Scotland in recent months on the specific impact of coronavirus on the availability of travel assistance services. This suggests there may be scope for more formal day-to-day engagement with representative groups on accessibility issues.

**Effectiveness**

**Principle 2:** We expect Network Rail’s engagement to be **effective**, in that it supports delivery of a safer, more efficient and better used rail network (in terms of performance and capacity), including by ensuring that stakeholders’ views are duly taken into account.

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21 Having said this, MACS said it was quite satisfied with its overall engagement with Network Rail Scotland during year 1, noting their positive involvement in stakeholder workshops and working groups (e.g. on station redevelopment).
For example, when engaging on strategic matters (such as annual business planning), Network Rail should ensure that its engagement allows its stakeholders to influence its priorities. Network Rail should also engage with stakeholders in a way that enables them to challenge its performance (where necessary).

The majority of survey respondents found their engagement to be effective, but there is room for improvement

4.5 The fact that most survey respondents were satisfied with their engagement suggests that business units’ engagement is broadly effective.

4.6 In respect of annual business planning, the majority of respondents who said they engaged in this process were satisfied with the level of influence they had over the process (eight out of eleven respondents)\(^2\). As illustrated below, a number of these respondents specifically highlighted their ability to feed into plans as they were being developed. While this is based on a small sample, it provides some evidence that engagement on business planning has been effective, in that it has enabled stakeholders to influence business units in delivering the priorities that matter to them.

“I believe that [North West & Central] shared and sought input to all elements of their plan. They listened to our requests and were honest when our aspirations for our business could not necessarily be met by their plan. This level of honesty and transparency is essential for us to understand as we develop our long-term plans. They were also keen to understand how we, the supply chain, could contribute to the approach of putting the passenger (and freight) first.”

Volker Rail, North West & Central

“[Network Rail Scotland] provided us, for example, with the drafts of the strategic business plans and with senior management engagement we get a good opportunity to feed into the business plans.”

Transport Scotland, Network Rail Scotland

\(^2\) The other three respondents said they were neither satisfied nor dissatisfied with their level of influence.
4.7 Nevertheless, we consider there remains scope for engagement to be more effective. A significant minority (11 out of 30 respondents) rated as “very poor” or “quite poor” their business unit’s ability to ensure their organisation’s views were taken into account. This may reflect the fact that, as noted above, around half of respondents said they were not engaged on business planning at all. Two train operators expressed specific concerns with how their views are taken into account in a way which meaningfully influences their regions’ priorities and activities.

“It is essential that Eastern Region go beyond seeking to understand our needs as a customer and to start to act on that knowledge in a positive way.”

Grand Central Rail, Eastern

“[Engagement is] very Network Rail centric – it doesn’t always consider the TOC (train operating company) needs. [Engagement should] really put passenger priorities first. Be output driven rather than input driven.”

Train operator, North West & Central

4.8 This feedback suggests that there is not always a sufficiently clear ‘line of sight’ between stakeholders’ priorities and how the business unit is delivering this (or, where it can’t, why). This was also evident in business units’ submissions to us, which generally contained limited evidence about how their year 1 engagement activities have influenced their revised priorities and activities for year 2. However, the information provided by the FNPO and Network Rail Scotland – discussed in Box 5 – are good examples of how business units can do this more effectively.

4.9 Overall, we consider that, while business units generally appear to be taking account of stakeholder views in refining and updating their business plans, further work is required to demonstrate more fully the effectiveness of this engagement, and to give all stakeholders confidence that the annual business planning process has value (even if they are not fully satisfied with the outcomes)\(^2\)

\(^2\) This was also an issue we identified in our assessment of Network Rail’s CP6 Strategic Business Plans. We said some routes’ plans did not adequately demonstrate a ‘line of sight’ between stakeholders’ priorities and their actions. Some stakeholders also commented that their engagement did not provide a genuine opportunity for them to influence the plans. See ORR, PR18 Final Determination, Supplementary document
Box 5: Demonstrating line-of-sight between engagement and outcomes

The FNPO’s Strategic Plan Update provided one of the clearest articulations of the link between stakeholder priorities and its year 2 priorities and activities. Its plan identified three clear themes for delivery for its customers and stakeholders, based on discussions with customers and stakeholders about their business priorities. It then set out how the FNPO intends to deliver on these priorities in year 2 and beyond, including detailed actions and timings for these actions. The FNPO is also developing its approach to agreeing customer priorities and tracking progress against agreed actions.

Network Rail Scotland produced a one-page overview of their year 1 engagement for each of its key stakeholders. Each overview included a summary of the stakeholder’s key issues or concerns; the forums used to engage on these issues; planned improvements in year 2 (along with owners for each of these improvements); and an overall rating for the stakeholder relationship.

There is also scope to improve how scorecards are used to enable customers to challenge business units’ performance

4.10 Network Rail uses scorecards to set out what it is seeking to deliver for its customers and funders. They are an important tool through which Network Rail’s customers can engage with its business units to understand how it is performing, and effectively challenge its performance where necessary.

4.11 Feedback from our stakeholder survey – while very limited – indicates that scorecards were of mixed usefulness in this respect. Not all train operators said they used scorecards to discuss train performance with their primary business unit during year 1. Furthermore, where discussions with business units took place, these were not always useful. Two operators expressed some scepticism about the extent to which scorecards are used by Network Rail to drive action.

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24 We note Network Rail Scotland did not provide a year 1 overview of engagement with MACS (which, as explained above, raised some concerns with the level of engagement it had experienced in recent months).

25 For Network Rail Scotland, performance is also considered against the specific requirements set out in the Scottish High Level Output Specification (HLOS). Some of these requirements are reflected on the scorecard, and others through the HLOS tracker.

26 Two out of eight train operators who said they engaged on scorecards said they held discussions with their business unit about performance, and that these discussions were useful.
“It felt as though some of the metrics were glossed over a little, or paid lip-service. I can recall an occasion in the autumn when PPM (the public performance measure) was at its worst level for us in 15 years, and the result was given a cursory mention on the scorecard - it felt like a token.”

Avanti West Coast, North West & Central

4.12 DfT also said that, according to feedback received through its franchise managers, engagement between Network Rail and train operators on scorecard metrics remains erratic and patchy. However, DfT has itself made use of scorecard data during year 1 of CP6, and said the usefulness of the scorecards has improved over the last year, noting that Network Rail has invested time in explaining the metrics and providing more commentary around them. Railway Boards have also made regular use of scorecards to inform performance discussions at meetings.

4.13 While it is difficult to draw firm conclusions about the usefulness of scorecards from the available evidence, it suggests that there is scope for them to be more effective, particularly in allowing train operators to understand and challenge performance effectively. This has also been ORR’s experience as a stakeholder for Network Rail’s scorecards27. We note that Network Rail has recently consulted key stakeholders as part of a review of its use of scorecards, in advance of year 3 of CP628. We will continue to liaise with Network Rail to understand the changes that result from this29.

FNPO stakeholders are sceptical about the influence of FNPO within Network Rail itself

4.14 Survey respondents who engaged with the FNPO were generally satisfied with their working engagement during CP6 year 1. However, three respondents queried whether their engagement with the FNPO necessarily has an impact at a Network Rail-wide level. The Rail Freight Group questioned how much influence the FNPO has within Network Rail. Similarly, another respondent said an improvement for year 2 of CP6 should be for freight issues to be raised to a strategic Board level.

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27 This partly reflects wider issues with the quality of scorecard data, as well as issues with scorecard metric definitions / clarity. This is discussed further in our Annual Assessment of Network Rail. See paragraphs 2.85-2.89, Annual assessment of Network Rail April 2019 – March 2020.

28 The focus is on simplifying and realigning them around a clearer set of outcome-focused measures.

29 To this end, we note that DfT highlighted the importance of considering their views when making changes to scorecards, rather than it being a purely internally-driven exercise.
“Colleagues at FNPO go out of their way to engage and I have found them to be consistently supportive of freight….the challenge is how much influence FNPO have within the wider Network Rail.”

Rail Freight Group, FNPO

4.15 This is consistent with concerns separately expressed by some freight stakeholders to ORR that the strategic voice of FNPO and the freight sector may have been weakened by the move to Network Services. It suggests that, in order to improve the overall effectiveness of engagement with FNPO, Network Rail’s internal processes and collaboration between FNPO and other business units could be improved. The FNPO is currently reviewing its structures to improve representation of its customers’ interests within Network Rail’s regions, and we will continue to monitor how this area develops over this year.

Good governance

**Principle 3:** We expect Network Rail’s engagement to be well-governed, in that it is underpinned by effective processes and governance arrangements that encourage meaningful engagement and accountability, and provides mechanisms for challenge and escalation.

The majority of survey respondents found engagement to be well-governed, but this could be improved further

4.16 A well-governed engagement process should proceed according to a clear plan and timeline. Slightly more than half of survey respondents (57%, or 17 out of 30 respondents) agreed that business units ensured their engagement was underpinned by effective processes, and a clear majority who engaged on business planning (8 out of 11 respondents) were satisfied with the level of clarity over how the process would be run.

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30 We noted this in our Annual Assessment of Network Rail (see paragraphs 8.9-8.12 for further detail).

31 More generally, we note that the FNPO has not yet delivered on all its stakeholder governance, accountability and transparency commitments from PR18. These included publishing an annual report on its activities and achievements, and clearly setting out how these relate to each customer group. We are engaging with the FNPO in this respect. The FNPO has said its annual report will be published in September 2020, having been delayed to avoid clashing with other Network Rail / ORR publications over summer 2020.
4.17 However, a significant minority of respondents (30%, or 9 out of 30) rated this aspect of engagement as very or fairly poor. Some stakeholders specifically commented that the timeliness of this engagement could improve, including in respect of business planning. For instance, Avanti West Coast said that North West & Central’s business planning process could have been completed earlier in the year. Likewise, both the DfT and Transport Scotland said their engagement in the business planning process could be improved by holding discussions earlier on, with DfT noting that timescales must allow for DfT’s own internal processes.32

“This [business planning process] needs to be timely and completed in advance of the year commencing. It felt quite last-minute this year.”

Avanti West Coast, North West & Central

4.18 We consider the timeliness of engagement could be particularly supported by having a clear stakeholder engagement strategy in place. While some regions have already developed region-specific strategies that align with Network Rail’s new organisational structure, others were still in the process of establishing them during year 1 of CP6.33 We recognise that year 1 of CP6 has coincided with the implementation of PPF. For year 2 and the rest of CP6, we consider that having clear strategies and processes in place should help to ensure that ongoing engagement – including on business planning – is more timely and well-governed.

There was variation in the quality of processes for setting annual performance targets (in scorecards)

4.19 As part of the annual business planning process, we expect business units to operate a high-quality engagement process with their customers (principally passenger and freight operators) to discuss scorecard measures and set stretching but realistic performance targets. Feedback from customers indicates that, in general, they found this to be a well-governed process. Customers noted in particular that business units had demonstrated good levels of collaboration and

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32 DfT recognised Network Rail’s efforts to share information earlier in the process, but said, in order to properly facilitate timely engagement, the information needs to be more concise and summarise the key issues for DfT to consider. It noted that this has started to improve recently.

33 For instance, Eastern is developing route-specific stakeholder engagement strategies during the course of 2020/21. Likewise, North West & Central has been developing a new operating model to develop and prioritise customer needs, to be in place by summer 2020.
transparency in their discussions. Several operators also said the process resulted in a set of year 2 targets with which they are satisfied\textsuperscript{34}.

4.20 **The FNPO, Southern and Wales & Western** agreed a full set of annual measures with all their train operators, as well as a significant number of performance targets, and the relevant feedback that we received from these operators was almost unanimously positive. This indicates that the engagement to agree year 2 scorecards was particularly well-governed for these business units\textsuperscript{35}.

> “Effective and efficient – [the] process was clearly communicated and presented and very straightforward. Each of the targets were clearly explained along with examples of how the process would work. A fair and robust challenge was put on a few of the targets, which after some good discussion resulted in full agreement.”

**Caledonian Sleeper, FNPO**

4.21 However, feedback provided by customers of other regions was more mixed. These regions (particularly Eastern) have more train operator customers than other regions, which increases the complexity of their engagement on scorecards\textsuperscript{36}. We also recognise that setting performance targets is a two-way process, and that good stakeholder engagement will not always lead to unqualified agreement between business units and their customers\textsuperscript{37}. Nevertheless, the feedback suggests there would be value in improving some of the processes which govern scorecard engagement, particularly in respect of the following:

(a) **The timeliness of engagement.** Business units should have a plan for their engagement on customer scorecards with clear deadlines, and seek to engage early, especially on train performance trajectories. Two operators in the North West & Central region raised specific concerns about the lack of a

\textsuperscript{34} Only four train operators commented on this area in our stakeholder survey. 22 operators provided comments on their scorecard engagement in February and March 2020, as part of their confirmation to ORR and DfT on which year 2 customer measures and targets had been agreed with Network Rail.

\textsuperscript{35} We also note that the System Operator amended its scorecard to focus more on stakeholder priorities, following engagement with stakeholders and discussions with the SO Advisory Board.

\textsuperscript{36} Additionally, we recognise that the conclusion of last year’s process was particularly affected by the coronavirus pandemic.

\textsuperscript{37} For instance, we have previously noted that operators have focused in discussions on the levels of performance that were underlying their franchise agreements, rather than what could be realistically delivered over CP6.
clear process with milestones, and that engagement did not begin sufficiently early (although other operators’ experience was more positive)\textsuperscript{38}.

(b) Linked to this, the robustness of target-setting could improve. One train operator commented that there is much room for improvement on the methodology used to estimate realistic but challenging targets for North West & Central (although it said this is an industry-wide issue), while another operator in this region had some concerns that its train performance targets are unduly optimistic\textsuperscript{39}. This suggests that scorecard discussions would benefit from robust modelling that makes full use of the available data\textsuperscript{40}.

(c) Regions could take a more joined-up approach where train operators operate across regions. For instance, one train operator noted that different approaches have been taken by the Eastern and North West & Central regions, as well as between regions and routes. Operators also noted the PPF programme had caused further delay in agreeing scorecards with these regions, as there was uncertainty about the outcome of it\textsuperscript{41}.

4.22 Making these improvements will help business units to meet our expectations for good engagement on the scorecard agreement process, which we consider will improve the prospect of agreeing stretching targets with their customers\textsuperscript{42}.

Transparency

**Principle 4:** We expect Network Rail’s engagement to be transparent, in that Network Rail provides sufficient information to its stakeholders to enable them to engage properly with it, and is able to demonstrate how it has engaged with its stakeholders and how this has influenced its actions and delivery.

\textsuperscript{38} For instance, one operator noted initial dialogue on metrics (but not targets) only occurred in late 2019. On the other hand, West Midlands Trains said the target-setting process was thorough and collaborative, and proceeded in a structured and disciplined way which avoided any last-minute target-setting.

\textsuperscript{39} Merseyrail and Avanti West Coast. Avanti said the overall engagement process had worked well to date.

\textsuperscript{40} To support this, business units should also be keeping a clear and appropriate record of what discussions have taken place, as well as what has been agreed (and when).

\textsuperscript{41} However, Transpennine Express said it welcomed that Network Rail’s Director for the North of England had taken on responsibility for co-ordinating dialogue.

Business units generally provided sufficient information to stakeholders to enable proper engagement

4.23 Our survey results suggest that, on the whole, business units provided sufficient information to stakeholders. The majority of respondents rated their primary business unit as “very good” or “good” on this aspect of engagement, although a significant minority (33%, or 10 out of 30 respondents) rated this aspect as fairly or very poor. This included both passenger representative respondents and more than half of CRPs, suggesting better information could be given to those groups43.

4.24 In respect of business planning, respondents were broadly satisfied with the quality of information provided to them, and all respondents were satisfied with how well informed they were kept about the process. The DfT noted in particular that Network Rail has been transparent in its interactions on business planning, while noting there is scope for improvement in the information that Network Rail provides (as discussed in paragraph 4.17).

“I think transparency on where they’ve been in the process and how they’ve been getting on has been pretty good and we’ve received that feedback through the weekly meetings”
Department for Transport

However, business units could improve the way in which they document and publicly report on their engagement activities

4.25 A transparent stakeholder engagement approach also requires business units to be able to demonstrate how they have engaged with their stakeholders, including how this has influenced their actions and delivery.

4.26 Regions published updated Strategic Plans at the end of year 1 of CP6. However, these generally contained very limited information for stakeholders and wider industry about their specific engagement activities during year 1, and the outcome of this engagement. We recognise that the coronavirus pandemic affected the

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43 In particular, MACS noted that information presented in meetings with Network Rail Scotland was not always tailored to engaging with disabled people.
publication of full plans for this year. For future years, we consider that business units can provide more information about their engagement and its outcomes\textsuperscript{44}.

4.27 Having said this, some business units have already taken steps to be more transparent: Network Rail Scotland has published an annual stakeholder report for 2019/20 (as discussed in Box 6 below), while the SO reports on its engagement activities as part of its annual narrative report and has previously published summaries of its Advisory Board meetings online. The FNPO is also due to publish an annual report on its activities and achievements, including how these relate to each customer group, in September 2020\textsuperscript{45}.

\textbf{Box 6: Network Rail Scotland Annual Stakeholder Report 2019/20}

Network Rail Scotland’s annual stakeholder report sets out its commitment to working collaboratively with its funders, customers, partners and communities. This report describes key initiatives (including how Network Rail Scotland aims to work with its stakeholders to deliver requirements of the Scottish Ministers such as freight growth\textsuperscript{46}) and project highlights from CP6 year 1, and explains how it has worked with local communities.

This is a useful report, helping to explain to customers how they are engaging and what work they are doing. Throughout CP6, future versions of this report could be used to also include more detail of how Network Rail Scotland has engaged or how stakeholders’ views have influenced its plans and fed into its priorities and activities for future years of CP6. This would help to demonstrate how it is working with and listening to its stakeholders and what action it has taken in response to its customers’ views.

4.28 We also found that most business units provided limited evidence in their submissions to ORR which we considered relevant for the purposes of this assessment. In particular, their submissions lacked a clear focus on their year 1 engagement activities, and, as explained above, did not clearly demonstrate how these activities have influenced their revised priorities and activities for year 2 of

\textsuperscript{44} We note some routes had committed in their CP6 Strategic Business Plans to publishing information on stakeholder engagement to support transparency. For instance, the Anglia and Western routes said they would produce an annual stakeholder report for CP6, to document their engagement.

\textsuperscript{45} As explained in footnote 31, this report formed part of its wider PR18 commitments on improving its governance, transparency and accountability.

\textsuperscript{46} The Scottish Ministers’ High Level Output Specification for CP6 is available here: https://www.transport.gov.scot/media/39496/high-level-output-specification-hlos-for-control-period-6-final.pdf.
CP6. There was also very limited information on their engagement to develop and agree scorecards, which was one of our key areas of focus.

4.29 We are working with Network Rail to improve the quality of the information that we receive for year 2 of CP6, to inform our assessment and wider monitoring. This is discussed further in Section 5.
5. Approach to CP6 year 2

5.1 We expect business units to build on their experience of engaging with their stakeholders during the first year of CP6, and continue to refine and improve their engagement approaches. In particular, we expect them to reflect on the examples of good practice and areas of improvement identified in this assessment.

5.2 We will undertake another assessment of the quality of Network Rail’s stakeholder engagement for year 2 of CP6. We expect to do this in spring of 2021, and will seek to publish alongside or as part of our Annual Assessment of Network Rail.

5.3 We will develop our full approach to the next annual assessment over the autumn. However, we have set out below our initial views on some aspects of this assessment.

Scope of assessment

5.4 We intend to broaden the scope of next year’s assessment to include Network Rail’s stakeholder engagement across all its activities. This will allow us to take account of the quality of engagement in respect of pressing issues which are raised by stakeholders during year 2 of CP6. It will also allow us to consider the quality of engagement in areas which are specific to individual business units, where they have presented relevant evidence of this.

5.5 In doing so, we will have particular regard to how business units have addressed the areas of improvement identified in year 1.

Inputs to assessment

5.6 We will continue to incorporate stakeholders’ views in our assessment. Compared with our approach of using a market research company for year 1, we may vary our approach for future years; for instance, we could place more reliance on primary research conducted by Network Rail and its business units to gather feedback on their engagement, if we consider that it provides a reliable basis for understanding the stakeholder perception of Network Rail. However, it is likely that this will continue to be supplemented by some bespoke research.

5.7 We will also continue to have regard to information provided by Network Rail on its stakeholder engagement activities. We consider it is important that business units have an opportunity to inform our assessment in this way, and in particular to
explain how far they consider that their year 2 engagement demonstrates our four principles of good stakeholder engagement.

5.8 We are working with Network Rail to agree how business units will report on their stakeholder engagement\(^{47}\). We consider that providing business units with clear reporting expectations will help to address the issues we have identified with the information provided to inform our year 1 assessment, and to improve the overall level of transparency around their engagement.

**Future approach**

5.9 Looking further forward, we consider that Network Rail’s business units could potentially take a more proactive role in assessing their own engagement which could, in turn, allow for a lighter-touch approach to our own annual assessments. We will keep these matters under review throughout CP6.

5.10 As CP6 progresses, we will also consider whether and how it is appropriate to adapt our assessments to reflect possible changes to how Network Rail delivers for the wider rail industry (and to the role of different stakeholders in influencing Network Rail’s delivery and holding it to account), both during CP6 and in anticipation of CP7.

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\(^{47}\) For instance, we may make more use of self-assessments by business units of the quality of their engagement, provided that they provide a comprehensive and robust reflection of their engagement activities and outcomes during year 2 of CP6, and allow us to compare across business units.