



Audio transcript

The Rail & Road Pod - Series 2 - Episode 7: Assessing Network Rail's performance

In this episode, the Rail and Road Pod looks at how the Office of Rail and Road (ORR) holds Network Rail to account for its performance and efficiency.

The podcast takes an in-depth look at some of the key findings from the rail regulator's recently published Annual Assessment of Network Rail.

Three of ORR's Senior Regulation Managers join the Pod to talk about what went well in each of Network Rail's regions as well as discussing some areas where improvement is needed.

For more information on how ORR holds Network Rail to account visit: [Holding Network Rail to account](#).

For more information and to read ORR's 2020-21 Annual Assessment, visit: [Annual assessment of Network Rail](#).

Kenny Walker, Host

Welcome to the Rail and Road podcast. I am your host, Kenny Walker, and in this edition we will be hearing ORR's view on how Network Rail has performed across all aspects of its business, following the publication of the Regulator's 2020/21 Annual Assessment of Network Rail. This is a far reaching, and in depth report that looks not only at the national level but delves into each Network Rail region. The report is made possible through the close working of dedicated ORR managers responsible for each Network Rail region, known as senior regulation managers, and their close working with ORR's engineers, safety inspectors, economists as well as access and licensing specialists.

The report was published in July, and before we speak to the senior regulation managers, here is ORRs, Head of Network Regulation, Sneha Patel on the main findings from the report at a national level.

Sneha Patel, Head of Network Regulation

Over the last year, train performance has been very high and that's largely due to fewer passengers and services across the network. Over the coming year, Network Rail needs to work across the industry to ensure that it can deliver performance improvements in the long term and work to influence a high performing timetable. Over last year in terms of asset management, Network Rail largely delivered its planned maintenance, enhancements and engineering work, often in difficult conditions. But there are areas that we have a concern which Network Rail needs to focus on over the coming year in terms of safety, as mentioned in the Chief Inspector's Annual report as well, there needs to be a continued focus on mitigating the impacts of extreme weather and climate change, ensuring infrastructure is resilient.

There also needs to be a continued focus on work force safety, so ensuring that we embed better ways of planning and delivering work across the network. And lastly, in terms of finance and efficiencies, Network Rail is on track to meet its efficiencies for this control period, but there are still financial risks that remain. Network Rail needs to manage carefully.

Kenny Walker, Host

Now for a bit more detail from around the Network Rail regions.

Firstly, I'd like to welcome Rebecca Kent. Who is one of the Office of Rail and Road's Senior Regulation Managers. A good place to start is for you to explain what your role entails and a little bit about the regions you cover.

Rebecca Kent, Senior Regulation Manager - England and Wales

So, a regulation manager has a number of aspects to the role. So the first thing that I do, probably overarching thing, is I hold Network Rail to account for its delivery. Now that means the passengers to freight users, to funders and specifically, my role is in the Wales and Western and North Western & Central regions.

Kenny Walker, Host

2021 obviously was a very challenging time for everyone. And Network Rail would be no different. If I can start with the North West and Central region, how did ORR's annual assessment find the region performed, and whether any successes or things that you think could have went better for them.

Rebecca Kent, Senior Regulation Manager - England and Wales

So I think what's important to know is that we had such a different year due to COVID, and that had a huge impact on the rail industry across all of the regions. What we saw was a massive decline in passenger numbers. We went into a national lockdown. We also saw a huge decrease in services. What we did see across North West and Central specifically, they did meet all of their targets now, and they met those targets that we set for them, they set themselves.

Whilst they performed very well and it was partly due to lower passenger numbers and service levels, the region did make really good progress and actually trying to improve their performance. Back at the end of 2019, we released a performance review of North West and Central. And within that review, we have identified 25 recommendations that we think they needed to work on and to progress and improve their performance, and that's rail performance, that's freight performance, that's passenger performance, all of those kinds of elements.

So the Pandemic actually gave the region a good opportunity to work really hard on implementing and developing those recommendations. And they did that very well. However, of those 25 recommendations that we reviewed at a twelve monthly point, which was obviously made this year, we did identify that six of the recommendations hadn't progressed as much as we're expected. So we're still working with the regional on those for the next six months.

If we move away from performance. And we look at assets and the management of these assets. The number of failures decreased significantly. But the region did particularly well delivering against its core scorecard targets for renewals volumes, which basically means they give themselves a number. They achieved more than that number. There are a couple of assets within that. So normally about seven assets that they look at two of those assets, which are electrical power and points. They really need to just do a little bit more work on. And they are putting some plans in place into the future to work on those.

Finally touching on finance the region outperformed financially and it exceeded its delivery target over the last year. This is excellent news.

Kenny Walker, Host

Yeah, that's very interesting to hear. Obviously, the improved punctuality and reliability as a key one there and keeping freight moving during the pandemic, of course, very important, obviously. Wales and Western, the other region you cover. Could you give us an overview of their performance last year?

Rebecca Kent, Senior Regulation Manager - England and Wales

Looking at performance then with passenger and freight performance over 2021. So they did achieve all of their targets, however, one thing that stands out in Wales and Western region was that we didn't see the same level of improvement on the Wales route that we have seen across other routes in the country. And I think there is something interesting to pick up and we have discussed a number of options of how we improve that with the route specifically to the region, and Wales is absolutely on board to just have a look at how they can improve their performance. The annual assessment does talk a little bit more in detail around that that's not saying they didn't hit their target. They absolutely did. I think there are still things that they can do to improve in that specific route. Having said that, the route did experience a number of disruptions with severe weather events that occurred during the year. And I think that's important to note. It's not due to poor performance of the actual route by network rail, they were really influenced by external factors.

So moving then out of performance and into asset management again, similarly to Northwest and Central, the number of asset values decrease significantly, and the region did particularly well again at also meeting all of its score card targets for renewal of assets. But like I said before, structures examination compliance is also an issue within Wales and Western, and we're working with the region to look at how they're going to work to improving that compliance.

In terms of health and safety over 2021, we're still seeing far too many near miss incidents occurring. And this is something that our safety inspectors are working really closely with the regions.

Kenny Walker, Host

With the year ahead. How is it shaping up on what are the plans for the next twelve months?

Rebecca Kent, Senior Regulation Manager - England and Wales

Yeah. I think this is a really interesting place to be. And I think at the moment Kenny, like going into year three of the control period for network rail and with the rail reform, I think this is a really interesting time in the rail industry.

We're halfway through control period six. Planning for control period seven is already happening, and this needs to be done now in the context of the proposed changes for the rail industry. So we need to do these parallel to make sure that we're aligning everything.

Kenny Walker, Host

Thanks very much for joining us today. And now we're off to Scotland and have been joined by ORR's senior regulation manager, Liz McLeod. We've just heard from Rebecca Kent. And apart from the obvious geographical location and the difference there, how does your role differ given Network Rail are set up a bit differently to the regions in England and Wales.

Liz McLeod, Senior Regulation Manager - Scotland

Scotland region, Network Rail Scotland is funded by Scottish ministers and they are responsible for, say, to know what Network Rail needs to deliver in five yearly chunks and the funds that are available to deliver those things. So that means that I need to liaise closely with Transport Scotland, which is the National Transport Agency for Scotland, particularly on financial issues and assurance on whether or not Network Rail is delivering in the things that you're committed to do and this five year chunk.

Kenny Walker, Host

If we just move on to the Annual Assessment, then we know just how difficult it has been and the significant impact the Pandemic has had during 2020, 2021, and that's the period covered by ORR's annual assessment. Taking this in the context, how has Network Rail Scotland performed this past year?

Liz McLeod, Senior Regulation Manager - Scotland

So overall, I think we see it's been a difficult year for Network Rail Scotland. The Pandemic is one of those the reasons why it's been a difficult year, but I think display the challenges of operating during COVID, we have seen real evidence of Network Real Scotland collaborating closely both with the supply chain and trade unions, identifying safe ways of working in the delivery of upgrade and renewal work throughout the year. So this has meant that Network Rail could largely deliver to continue to deliver what it had planned.

I think they have also demonstrated a sustained commitment to deliver a Scottish Ministers priorities which i have just spoken about and has, so, for example, started to deliver on Transport Scotland's Rail Services Decarbonisation Action plan, which was published during the Pandemic last July. And I think the last point to note is that for the second year in a row, Network Rail Scotland has exceeded its efficiency target delivering around £65 million worth of Efficiencies during the year. So I think that's another big success for the region.

Despite those positives, I think there have been some issues which have had significant impact during the year. So while passenger service performance has improved significantly, reduced income, higher costs have impacted on the region's funding and remaining risk funds are lower than expected at this point in the control period. So this is a concern for us given high levels of uncertainty and the financial risks that the region faces. And also just a last point is that although Network Rail demonstrated that it's delivered on efficiency targets for years one and two of the control period, we continue to be concerned about how prepared is to deliver targets for the remaining years of this control period.

So we need to see clear plans from Network Rail Scotland, especially as efficiency targets for years three, four and five are a lot higher than what's already being delivered so far. For example, one example, for years four and five, Network Rail plan to deliver around 100 million of efficiencies each year, which is higher than years one and two.

Kenny Walker, Host

A bit of a mixed bag there for Network Rail Scotland. We've just passed the one year anniversary of the tragic derailment of a ScotRail service, at Carmont near Stonehaven in which three people sadly lost their lives and six passengers were injured. And ORR's investigation is ongoing. So I appreciate you can't discuss details of that. However, severe weather clearly played a part in this incident. So can I ask,

do you think Network Rail are doing enough to ensure the railway is resilient to the impacts of extreme weather and the extent climate change?

Liz McLeod, Senior Regulation Manager - Scotland

I think you're absolutely right. We reported in the annual report we said that they even last year, there's been a 26% increase in delays caused by severe weather, so continuing to be an issue. On whether Network Rail are doing enough, there's CP6, their original CP6 plans identified that climate change is a challenge and becoming increasingly a problem for the region. So there's already plans that are imbedded within the region to deliver more resilient railway in Scotland. So it's important that we continue to monitor delivery of what network rail had planned.

And then also after the incident last year, at Carmont, network rail launched two task forces. These have concluded this year earlier this year. And Network Rail is trying to understand how to take the recommendations and deliver on those. So I think combined those things should help ensure a more resilient, railway.

And I think it's particularly important that Network Rail continues to deliver what it had planned.

Kenny Walker, Host

Thanks, Liz. It's good to hear that work is under way to making the railway more resilient and particularly in Scotland. But you mentioned 26% increase in extreme weather instances. That, to me, sounds like a very significant increase. We've had a brief overview there Liz on 2020 2021 and the successes of Network Rail Scotland and some areas in some areas, it obviously needs more work. What do you see as any challenges or how do you think that the year ahead is shaping up?

Liz McLeod, Senior Regulation Manager - Scotland

I think there's a few areas. So I mentioned the specific challenges that are related to finance, so that's the risk position on and delivery of future efficiencies. We've already stepped up our monitoring of these ideas, and for me, these will be important areas for us to continue to focus on throughout the year. Monitoring performance of the areas I mentioned at the start which if you remember, the Scottish Minister priorities that includes high levels of passenger and freight performance will continue to be important, particularly as passengers return to the railway as lockdown restrictions have eased, and it'll be important that high performance levels are maintained and also that we've just discussed that network rail has plans to deliver a more resilient railway so we will continue to monitor delivery of renewal volumes and

things like that. I also want to focus on ensuring that the concerns of the issues that were raised in our report are addressed to our satisfaction, so that, for example, areas such as drainage asset knowledge, working with Network Rail to ensure plans to address those issues. And finally, we will also be starting work with Network Rail and Transport Scotland for the next control period, which is going to one from 2024 to 2029. So we'll be working closely with them to develop a plan for that.

So lots going on. And we'll continue to hold Network Rail to account for all of all those things.

Kenny Walker, Host

With the final pieces of the geographical jigsaw to complete Network Rail regions, is David Kimball, another of ORR's senior regulation managers, you're responsible for two network rail regions. We'll start with Southern, can you tell us what went well for the Southern region and what you found in the annual assessment?

David Kimball, Senior Regulation Manager - Eastern and Southern Regions

It is true of all of the regions, really, performance last year was very, very good. So the Southern region exceeded its train performance target by about 50% in terms of passenger trains and the freight performance target. Another thing that Southern managed to do well is manage its assets, so that's in terms of its targets for reliability across all of the different sorts of assets. And in addition, the region carried out more renewals than was planned. That despite the difficulties of working during the Pandemic, some of that was partly because of the impacts of climate change.

David Kimball, Senior Regulation Manager - Eastern and Southern Regions

There were more earthwork failures, primarily due to high rainfall, so that meant that more work was being done than was anticipated. But nonetheless, it's good the region managed to carry out more work than it originally planned. So those things are the things that went very, very well.

Kenny Walker, Host

And what about that didn't go so well?

David Kimball, Senior Regulation Manager - Eastern and Southern Regions

Well, of course, very sadly, two Network Rail employees lost their lives in the region. So there's a track work at Surbiton Station and an employee at a facility in Eastleigh, both of those accidents are under investigation. So safety is absolutely critical. And then moving across back to the assets, we have got a particular concern and this isn't just limited particular region, but you have got concerns around non compliant examinations of particular structures. So there's quite a big backlog there, and that's something we're looking at very closely. Similarly, there's quite a big backlog examinations for railway arches, of which there is a lot in the south.

Often you will find businesses in those arches and there's tenants sitting there and Network Rail, find it quite difficult to get access to some of those arches to inspect them. There's quite a big backlog there. And that's also something that we are looking at very carefully now.

Kenny Walker, Host

The other region that you cover, David, was Eastern. Could you tell us what went well for Eastern and also what didn't quite a well.

David Kimball, Senior Regulation Manager - Eastern and Southern Regions

So I guess that's a similar story on passenger and train performance. I mean, not quite the improvement that we saw and Southern, but still 25% better than target for passenger trains. Again, similar reasons for that in terms of the impact of the Pandemic on train services, which means that always improves if there fewer train services. I think I mean, differently from my other region, major enhancements. There's not many major enhancements in the south, but more in the Eastern region. And those were delivered well, just again, despite the challenges of the Pandemic, the significant examples of Midland mainline electrification work at Kings Cross, for instance, was completed on time.

And with instance, that's really, really positive. Also, in terms of safety, we've had good progress made by the Anglia route, we put out an improvement notice several years ago in 2018 about level crossings. The Anglia route responded very well to that.

Kenny Walker, Host

Just to wrap things up David, for both the regions where you can take them individually or together, what is the main focus for the next twelve months.

David Kimball, Senior Regulation Manager - Eastern and Southern Regions

So it's probably areas of focus. So I mentioned the examinations of structures and tenanted arches. So those are areas where we are expecting improvements, expecting the backlog to be cleared. So as I said, we're focusing on those. But in addition, when it comes to Network Rails finances, the finances of the two regions, quite a lot of their risk funding has been used up. In particular, because they've been doing more work such as the earthworks, they've been doing more work than anticipated. So making sure that they've got enough funding to do the work that needs to be done.

And also, in terms of efficiencies, there's lots of good work done on that. But making sure that that continues throughout the rest of the year the rest of the period.

Kenny Walker, Host

Thanks very much, David. And thanks to Sneha, Liz and Rebecca. And thanks to you for listening. That's all for this episode. And we'll be back in next month with another episode of The Rail and Road Pod. Until then, goodbye.



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