![ORR logo] OFFICE OF RAIL AND ROAD

Annual assessment of Network Rail
April 2019 – March 2020
Freight & National Passenger Operators function

8. Network Rail's Freight & National Passenger Operators (FNPO) function

8.1   FNPO was established to support freight operators, national passenger operators, charter operators and potential future operators, representing their needs in their interactions with Network Rail.

8.2   In our Periodic Review 2018 (PR18) final determination[68], we required FNPO to deliver:

- Performance for freight operators as measured by the Freight Delivery Metric[69] (FDM). FDM is recorded at a national level (FDM) and for the regions (FDM-R). We set a target of 94% and a regulatory floor of 92.5% for FDM. Network Rail proposed targets and trajectories for FDM-R that would be sufficient to deliver FDM nationally;

- Performance for CrossCountry of 90% measured by the Public Performance Measure[70] (PPM);

- Specific actions to improve governance and stakeholder engagement; and

- £22m of renewals expenditure to address and mitigate safety risks for FNPO customers through the FNPO Safety Improvement Programme.

8.3   We said in our PR18 final determination that we would take account of the levels of performance developed by Network Rail with its customers and captured in its 'scorecard' reporting. We hold FNPO to account for its delivery to its diverse customer base.

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[68] ORR's Periodic Review 2018 (PR18) final determination for FNPO: https://orr.gov.uk/__data/assets/pdf_file/0005/39317/pr18-final-determination-freight-and-national-passenger-operator-route-settlement-document.pdf
[69] FDM measures the percentage of commercial freight services that arrive at planned destination within 15 minutes of their booked arrival time or with less than 15 minutes of Network Rail or passenger operator caused delay.
[70] PPM for long-distance operators measures the percentage of trains that arrive within 10 minutes of their scheduled arrival time.

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8.4   As part of Network Rail's Putting Passengers First transformation programme[71], FNPO became part of the newly formed Network Services directorate (having previously been stand-alone). As part of the move to Network Services, the structure of FNPO is also changing; there will be a division delivering services to freight, charter and Caledonian Sleeper, and a division for national passengers and customer experience. This change is expected to be implemented by the autumn of 2020.

FNPO requirements in Scotland

8.5   Our PR18 final determination reflected the requirements specified by the Scottish Government in its High-Level Output Specification. For FNPO this included:

- a FDM target of 93%[72] in 2019-20, moving up to 94.5% by the final year of CP6 (although Network Rail Scotland committed to a more stretching target each year of 94.5%[73]);

- a requirement to develop a freight journey time metric to support an increase in average speeds;

- a requirement to facilitate growth of rail freight traffic of 7.5%, of which at least 7.5% will be new traffic flows;

- a right time performance target of 80% for Caledonian Sleeper; and

- a requirement to support charter, tourist and special trains.

8.6   Further details are provided below and in the Network Rail Scotland chapter.

FNPO scorecard performance was mixed

8.7   Network Rail uses scorecards to align its priorities with those of its customers and help it incentivise its management to deliver these priorities. FNPO's scorecard includes sections on safety, train performance, local measures, investment & asset management, financial performance and people.

8.8   FNPO ended the year with an overall scorecard achievement of 54.3%. This score reflects a mixed picture with some very strong performance in delivering on milestones for service plan reviews and strategic capacity, and some very poor performance in CrossCountry and Caledonian Sleeper train performance.

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[71] Network Rail's Putting Passengers First transformation programme:

https://www.networkrail.co.uk/putting-passengers-first/

[72] FDM measures the percentage of commercial freight services that arrive at planned destination within 15 minutes of their booked arrival time or with less than 15 minutes of Network Rail or passenger operator.

[73] ORR's Periodic Review 2018 (PR18) final determination for Scotland: https://orr.gov.uk/__data/assets/pdf_file/0020/39305/pr18-final-determination-scotland-conclusions-and-route-settlement.pdf

Figure 8.1: FNPO scorecard performance against targets 2019-20
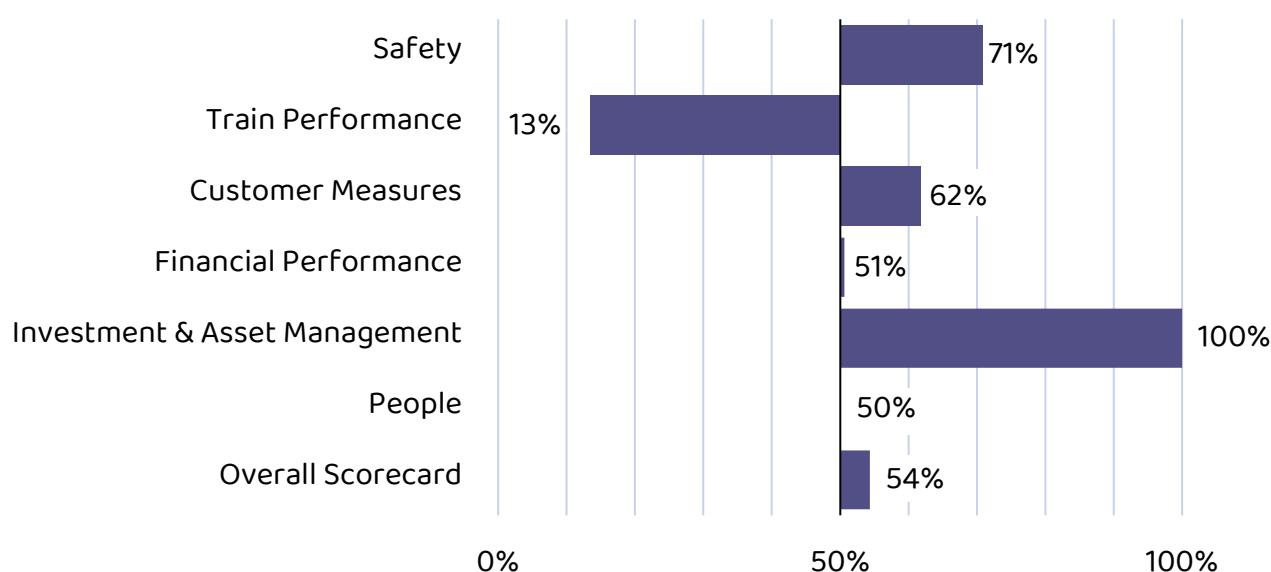
Source: FNPO scorecard

FNPO governance, accountability and transparency must improve

Our final determination for CP6 highlighted the importance of FNPO accountability, transparency and governance for stakeholders. Its operational engagement is strong with freight operators, but it should strengthen its strategic engagement and transparency of decision making. We will monitor the impact the Putting Passengers First transformation programme has on how effectively FNPO is able to engage with the regions on behalf of these operators.

8.9   In our PR18 final determination, we required FNPO to improve its governance, accountability and transparency to stakeholders. This reflected our concerns that stakeholders did not know how to influence the priorities of FNPO, or have sight of how their views influenced decision making. FNPO has not yet delivered on these requirements – they must be addressed over the coming year.

8.10   FNPO demonstrates strong engagement with customers in resolving operational issues. There are structures in place for regular customer engagement, including regular operator surveys (known as 'pulse checks') and engagement with freight end users.

8.11   FNPO is reviewing its structures to improve representation of its customers' interests within Network Rail's regions. Some freight stakeholders have expressed concerns that the strategic voice of FNPO and the freight sector may have been weakened by the move to Network Services. It is too early to determine if this is the case.

8.12   It is important that FNPO has governance arrangements which provide transparency and an effective feedback loop to its customers. This is particularly important within the context of increasing devolution to the regions in England and Wales. We have heard good feedback about FNPO's support to freight in Scotland, and are aware that forums such as the Scotland Joint Freight Board are supporting collaborative working. FNPO will need to work effectively with the System Operator and the regions to ensure that the needs of the freight sector are taken into account, and that freight and national operators are not disadvantaged by the regional focus.

FNPO responded well to the coronavirus pandemic

8.13   FNPO was effective in delivering the governments' strategic priorities during the coronavirus (COVID-19) pandemic. It supported the movement of freight and critical workers, and successfully facilitated and supported collaboration across industry. We have received positive feedback about its support to freight and passenger operators through strong customer engagement and sharing of industry knowledge.

Network Rail's performance for freight operators was below target

At the end of 2019-20, the Freight Delivery Metric (FDM) was 92.8%, below its target of 94%. Severe weather was a factor in poor performance, but network management issues and non-track asset failures caused significantly more delay minutes. Freight performance in North West & Central and Eastern regions ended the year below the minimum level that we set.

8.14   Nationally, FDM was below target, ending the year at 92.8% against a target of 94%. Network Rail Scotland's FDM-R of 94.5% exceeded the Scottish High Level Output Specification (HLOS) target of 93% and met its more stretching scorecard target of 94.5%. Wales & Western met its target for freight performance. The other regions all missed their targets. Eastern and North West & Central ended the year below the regulatory floor.

Figure 8.2: Freight performance 2019-20

	Performance %	Target %	Regulatory floor %		Commentary
National FDM	92.8	94.0	92.5	A	Below target but above the regulatory floor
Eastern FDM-R	92.4	93.9	92.5	R	Below the regulatory floor
North West & Central FDM-R	93.0	94.6	93.5	R	Below the regulatory floor
Scotland FDM-R	94.5	94.5	92.5	G	Performance at target
Southern FDM-R	90.8	93.0	90.0	A	Below target but just above the regulatory floor
Wales & Western FDM-R	93.8	93.6	91.9	G	Performance above target

Source: ORR analysis of Network Rail data

8.15   It is notable that passenger service performance has also been below target levels in Eastern and North West & Central (as set out in the relevant chapters).

8.16   We looked at the causes of poor performance in Eastern and North West & Central during the year and concluded that freight performance was primarily impacted by the same factors as passenger performance. We are carrying out enhanced monitoring of both regions to make sure train performance improvements are delivered for both passenger and freight. The factors affecting performance are discussed in further detail in each regional chapter.

8.17   Network Rail has reported that severe weather was a factor in poor freight performance, with higher than usual weather related incidents over several periods[74]. Delay associated with weather related incidents increased in 2019-20 compared to the previous year (making up 11% of Network Rail caused delay compared to 8.4% in 2018-19). But there was more delay associated with Network Rail's network management and non-track assets than weather during 2019-20. Network Rail needs to address these underlying issues to improve freight performance.

8.18   In 2019-20, FNPO and its freight customers agreed performance strategies, which set out key priorities and activities, in areas such as train planning and asset reliability. This is a positive step, which we expect to continue in 2020-21. We will continue to place close scrutiny on these documents.

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[74] These included multiple incidents of flooding in periods 5, 8, 9, 12 and 13 and a temporary ban on freight trains due to extreme heat on the Anglia route in period 5

FNPO has supported whole industry performance improvements

8.19   FNPO facilitates the Freight Industry Performance Group which works to improve industry-wide performance. This forum is attended by the freight operating companies and is independently chaired. One initiative discussed at the forum, which is in its early stages of development and appraisal, is the establishment of a mobile 'break down resource' for the North London Lines. This could reduce disruption to other services from any freight trains breaking down and is an initiative we welcome.

8.20   We also saw evidence this year of good, proactive engagement between FNPO and Network Rail's seasonal specialists on autumn and winter preparations. They utilised evidence and experience from previous years in developing strategies. A good example of this is included in the Scotland chapter. We have seen evidence that FNPO is trying to drive good performance by learning from past experience.

8.21   It will need to work collaboratively with the industry to ensure innovations that have been identified are delivered over the next few years. We will continue to monitor the role of FNPO in supporting whole industry performance improvements.

Network Rail's performance for national passenger operators has been below expected levels

Network Rail's delivery of performance for XC Trains Limited (CrossCountry) has been significantly below levels agreed with the operator this year. But FNPO has worked well to increase awareness within Network Rail of the unique challenges facing the operator.

Caledonian Sleeper's train performance has been below the target of 80% of trains arriving on time, with the operator experiencing issues with new trains. FNPO has worked to support Caledonian Sleeper in addressing these issues.

CrossCountry performance

8.22   CrossCountry performance has been significantly below target this year, with all CrossCountry's performance measures (PPM, cancellations, Time to 3, Time to 15) on the FNPO scorecard ending the year at 0% achievement. CrossCountry is subject to a high proportion (61.4%) of Network Rail caused delay.

Figure 8.3: Causes of delay to CrossCountry Trains, 2014-15 to 2019-20

Delay minutes (MAT)

- NR share, 61.4%
- NR, 548,358
- TOC-on-TOC, 253,118
- TOC-on-Self, 91,384
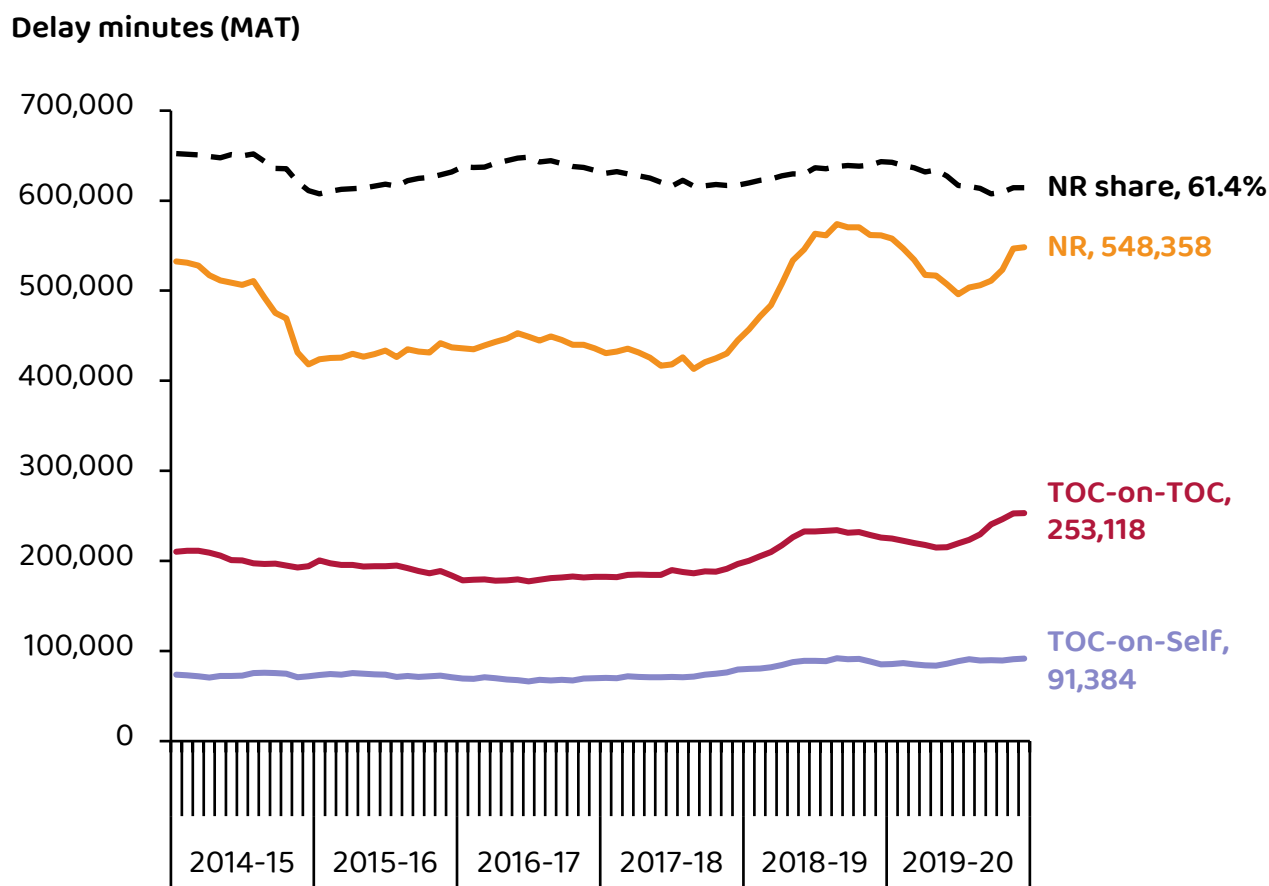
Source: ORR analysis of Network Rail data

8.23   During the year, we were concerned about the levels of delay to CrossCountry caused by Network Rail. This was in part based on feedback from CrossCountry, about the engagement between the operator, FNPO and regions. We raised these concerns formally with Network Rail.

8.24   FNPO responded well to this issue. It worked collaboratively with CrossCountry to create a new scorecard which focuses on key metrics at a regional level that can be influenced by individuals from that region. This activity was recognised by all parties as a key step to enable the delivery of stretching, but achievable performance levels whilst acknowledging the unique complexities that exist in running a national passenger operation.

8.25   It also undertook performance deep-dive reviews and used workshops with CrossCountry to understand the causes of poor performance and to develop a new, wide ranging performance strategy. The strategy includes increased internal communications within Network Rail about how it can support the specific requirements of CrossCountry. Implementation of this new strategy has been put on hold due to the focus on the response to the coronavirus pandemic. We will continue to monitor progress on this.

Caledonian Sleeper performance

8.26   Performance on Caledonian Sleeper has been poor this year, with only 75.7% of trains arriving on time against a target of 80%. 58.3% of delay was attributed to Caledonian Sleeper, 31.6% to Network Rail and 10.1% to other operators. The data shows that the majority of delays were the result of significant operator issues experienced by Caledonian Sleeper, the majority of which were caused by new rolling stock. FNPO worked hard to ensure that Network Rail supported their delivery this year.

Figure 8.4: Causes of delay to Caledonian Sleeper trains, 2016-17 to 2019-20

Delay minutes (MAT)
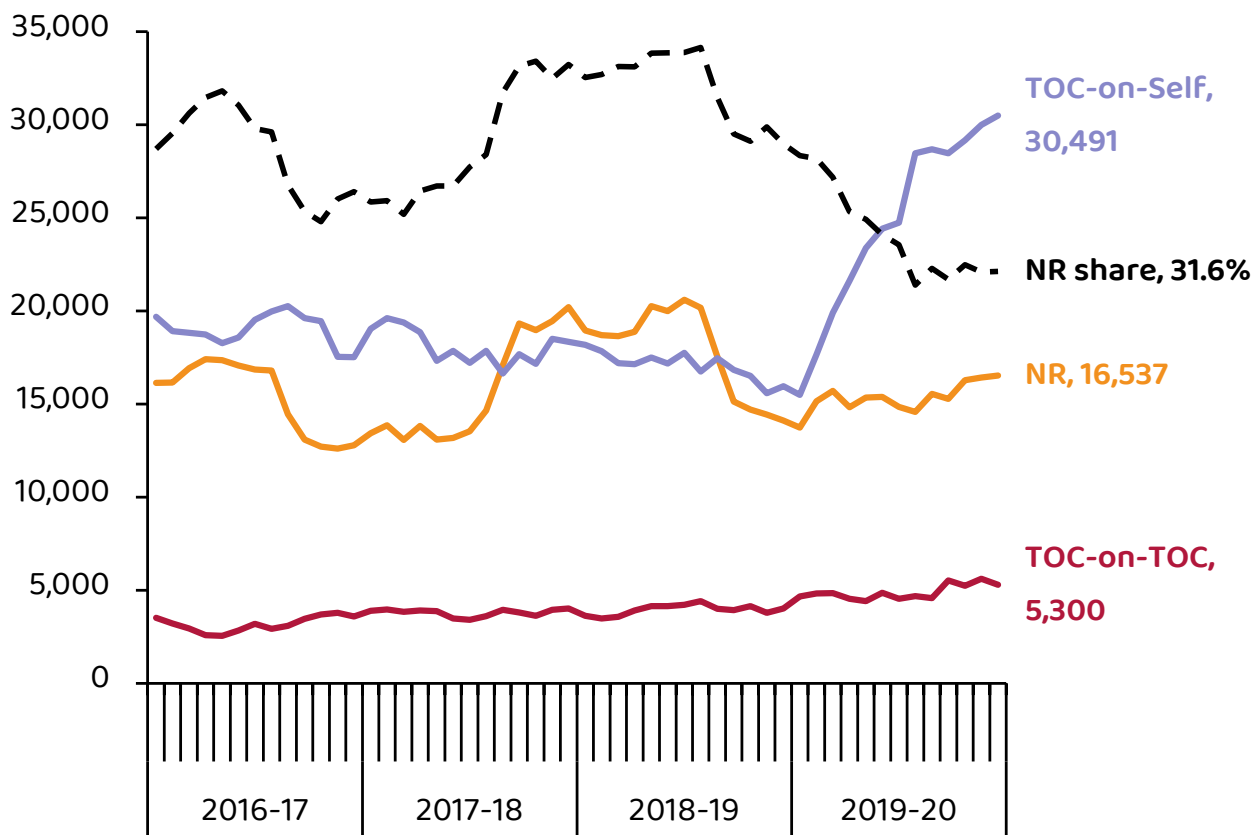
Source: ORR analysis of Network Rail data

FNPO has taken action to support freight growth

8.27 FNPO undertakes a range of activities to support freight growth including using the Strategic Freight Network to deliver enhancements to support freight in England and Wales. The Strategic Freight Network is a cross industry group, chaired by FNPO which makes recommendations on freight enhancements. This group engages freight operators, other parts of Network Rail and the Department for Transport. It has been effective in allowing the freight operators to be heard by the System Operator and other parts of Network Rail.

8.28 This year saw the successful delivery of the Felixstowe Capacity project which was funded by the Department for Transport and Hutchinson Ports. This 1.4km passing loop delivered three additional freight paths, enabling an increase from 34 to 37 freight trains per day. The scheme delivered all its planned outputs, slightly early and within budget. It was a good example of Network Rail working well with a third-party funder. This scheme is also an enabler for future capacity increases between Felixstowe and the Midlands, although this will require other works to unlock the full benefit.

8.29 The Southampton Freight Train Lengthening project encountered major delays in January 2019, when Network Rail's System Review Panel prevented works from starting because the project could not demonstrate compliance with safety requirements. This meant that the project could not deliver its outputs (some of which would have been in use by now). The project was replanned in three phases, which are due to deliver works in April 2020 (new sidings), December 2020 (line speed improvements) and February 2021 (freight train lengthening). The first siding was completed in April 2020, with the second due to follow. The project has faced major funding and schedule issues as it tries to get back on track.

8.30 Members of the Strategic Freight Network have highlighted the importance of unlocking capacity constraints around Ely, and we will continue to monitor how Network Rail responds to this. The project has now developed a draft level crossing strategy and is working closely with ORR as it moves forward. Funding has been secured for the outline business case and outputs are beginning to take shape. There is still a lot of uncertainty over budget and outputs, and further work will be needed on benefits and timescales for delivery.

8.31 Freight operators tell us that they are concerned about their ability to access the increasingly busy network to deliver freight services and grow their business. FNPO has been engaging positively to support freight growth, including in working with the System Operator to increase freight speeds, weights and train lengths. It has engaged productively with the System Operator to ensure that freight improvements are included within strategic planning. For example, it ensured the inclusion of the freight baseline and growth trajectory in West Coast Mainline capacity study.

8.32 The FNPO worked to support new rail flows across the network through its ongoing railhead development work and assistance in identifying paths. FNPO has also been supporting those freight operators who currently use short-term access arrangements to submit applications for longer-term access. We are supportive of these efforts and will continue to monitor this process.

FNPO delivery of freight growth in Scotland

8.33 In Scotland, FNPO has worked productively and collaboratively. This has included working with the Scotland Freight Joint Board, the Freight Development Group and the Freight Working Group. It has also worked collaboratively with industry and Transport Scotland to develop the Industry Growth Plan in Scotland. Freight capacity in Scotland has been improved through electrification to the Grangemouth terminal, gauge clearance on the Shotts line, a new southern connection at Blackford and a crossover at Aberdeen Craiginches.

8.34 FNPO did not meet the specific targets for freight growth in Scotland, mainly due to traffic reductions caused by market conditions. We have received positive feedback from the freight industry about FNPO's approach and engagement with freight in Scotland. However, freight growth and new traffic were not delivered this year and freight traffic in Scotland was down 4.2% against a target of a 1.5% increase.

Charter and aspirant open access operators

8.35   FNPO is continuing to engage with charter operators[75], and holds a charter operator workshop twice a year. It has developed a charter industry scorecard which was a requirement in our PR18 final determination, and is continuing work with the System Operator to establish strategic charter paths. FNPO's scorecard showed 65% performance (above target) for charter planning compliance. This is important in FNPO's delivery against the Scottish HLOS requirements as well as broader support to the charter sector.

8.36   FNPO is also the first point of call for aspirant open access operators[76]. FNPO has been developing tailored support and governance arrangements for each of the aspirant operators to reflect customer requirements. We are however aware that some aspirant operators have found it difficult to engage with Network Rail on the issue of what capacity is available to support new services. This is an area where FNPO and System Operator need to work together and we will monitor progress.

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[75] Charter trains are operated by those train operators holding Charter Passenger Track Access Contracts. The main distinction between charter services and other open access services is that charter services are typically one-off, bespoke operations, rather than the operator of regular passenger services. In addition, there is often an end customer or promoter who charters the train from a charter train operator.

[76] Non-franchised train operators who are seeking to run scheduled passenger services

Freight safety needs continued focus

FNPO initially made a slow start to spending of safety funds but has since put dedicated resource in place to manage their allocation. There have been more derailments in 2019-20 than targeted.

8.37   FNPO has continued to work collaboratively with the industry and Rail Safety and Standard Board to support both freight and charter operators. The revised Rail Freight Project Charter[77] was endorsed in July 2019, demonstrating the commitment of senior leaders across the freight sector. The charter aims to continue the development of the integrated freight safety plan and support safety improvements across the sector. Cross-industry collaboration by FNPO through groups such as the National Freight Safety Group, the Cross-Industry Freight Derailment Prevention Group and the Heritage Train Risk Group has continued to deliver tangible improvements in health and safety risk control.

8.38   There have been a number of safety incidents on the network this year, including 11 derailments, against a target of nine. FNPO and FOCs performed better than target in 'Operator lost time incidents on Network Rail infrastructure', with five this year against a target of 11.

8.39   PR18 allocated £22m of safety funds to the FNPO Safety Improvement Programme to drive safety improvements across the network and to ensure that Network Rail fulfils its duties to its employees and rail users. These funds are intended to be accessed by both freight and national operators. FNPO customers are invited to propose schemes which are reviewed against a set of criteria before a decision is made on whether to go ahead.

8.40   To date proposals have included improvements to workplace conditions at operational sites, as well as funding for industry-wide project management resource. Although there has been a relatively slow uptake in proposal of projects and some delays in delivery of agreed schemes, FNPO now has dedicated resource in place to manage the allocation of FNPO Safety Improvement Programme funds across all five years of the control period.

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[77] The revised Rail Freight Project Charter: https://www.rssb.co.uk/-/media/Project/RSSB/Platform/Documents/Public/ Public-content/Learn-and-Connect/Groups-and-Committees/NFSG-rail-freight-project-charter-2019.pdf

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