

Chris Littlewood  
Office of Rail Regulation  
One Kemble Street  
London  
WC2B 4AN

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**Freightliner Group Limited**

Basford Hall  
Off Gresty Road  
Crewe CW2 5AA

Tel: +44 (0) 7540 920 705

Fax: +44 (0) 1270 533 146

Email: [JacksonT@freightliner.co.uk](mailto:JacksonT@freightliner.co.uk)

Web: [www.freightliner.co.uk](http://www.freightliner.co.uk)

Dear Sir/Madam

**NETWORK RAIL'S OUTPUT FRAMEWORK FOR 2014-19 CONSULTATION**

I am writing to you in response to the consultation issued by the Office of Rail Regulation concerning Network Rail's (NR's) Output Framework for 2014-19. This is the formal response of Freightliner Group - representing Freightliner Limited and Freightliner Heavy Haul Limited. Freightliner welcomes the opportunity to respond and is content for this response to be published in full on the ORR website.

Freightliner welcomes this consultation and the consideration that the ORR is giving into how the monitoring of Network Rail's performance can be further improved in the forthcoming Control Period 5 (CP5). Whilst we note the proposals to devolve some of NR's decision making to a route level, as a nationwide rail freight operator it is imperative that we are dealt with by Network Rail on a national basis, in order to avoid added layers of complexity for both ourselves as operators and also for our customers.

We agree that it is quite right for the ORR to prioritise the performance of passenger and freight services on the network in CP5 and to ensure that the right measures are in place to effectively regulate Network Rail to meet the agreed targets. However, at the same time we believe that the issue of performance in CP5 needs to be considered in the wider context of its relationship with network capacity.

Over the course of CP4 the financial implications on both operators and NR has meant that capacity has been sacrificed to ensure that targets are met. For example, in recent years a trend appears to have crept in for passenger operators to plan timetables with increasing 'performance buffers' before final stations to ensure that PPM targets are met. Given that freight operators don't adopt this tactic, Freightliner questions how this maybe affecting the utilisation of capacity on parts of the network and would like the ORR and Network Rail to consider if this is the right thing for the industry to be doing, at a time when significant investment is being made to create additional capacity rather than looking at ways of getting more out of the existing infrastructure.

Specific responses to the questions raised in the consultation relevant to our business are provided as follows.

**Q1. Do you agree with our proposals for outputs and indicators for passenger train service performance? Should we retain the sector level outputs for PPM and CaSL (for England & Wales)? Is there more we need to do to ensure consistency with franchise obligations?**

Freightliner has no comment to make here.

**Q2. Do you agree with our proposals for an output and indicators for freight train service performance?**

The Rail Freight Operators Association (RFOA) has been in discussions with Network Rail to agree a new measure of freight performance, aimed at being more useful for customers than the existing delay minutes per 100 miles kilometres measure.

The proposed Freight Delivery Measure would measure the number of trains not arriving within 15 minutes of their booked arrival time at the end destination. Whilst the RFOA has agreed in principle to move to a new performance measure, the target trajectory for CP5 is yet to be agreed with NR. We believe that Freight performance has improved at a slower rate compared to passenger during CP4. Bearing this in mind we believe that it is important that Network Rail are set a more ambitious, rising target (than that set for CP4) that will motivate them to continue to drive improvement in freight performance.

Rail freight operators operate in a marketplace with strong competition from other modes, particularly road. Despite continual efforts to improve our own efficiency, this will only continue to improve with the support of the infrastructure owner, Network Rail to help in allowing us to offer a more reliable service for our customers.

Currently the ORR publishes the freight performance measure (FPM). This has crept in over CP4 as a widely publicised measure, but without the agreement of the freight operators. The current FPM (percentage of trains arriving on time at their final destination) is somewhat misleading as it doesn't disaggregate those delays that are due to late starts. On many occasions we will delay the departure of a service to help a customer (for example if there is a delay to unloading/loading of the train), which isn't reflected in this statistic. The issue of performance is particularly sensitive and affects the reputation of the rail freight industry, especially in terms of potential new customers considering switching modes to rail. We therefore request that this misleading statistic is no longer published, noting that no statistics are published for other modes. Going forward, we would like to see the ORR consider limiting the sharing of these statistics to a more selective audience.

We also believe that it is important that such a measure continues to be assessed and regulated as a national regime. Whilst it may be appropriate to set Network Rail performance targets on a regional basis to ensure that there are clear incentives for local staff it would be very difficult if the performance regime was organised at anything other than a national level. It is also important that perversities are not created which encourage one route to blame another or "game" against other routes so that there are arguments about which route caused delay.

We hope that the ORR will support the rail freight community in continuing to work with Network Rail to agree a suitable performance measure that can be used for CP5.

**Q3. Do you agree that outputs for Network Rail in relation to named projects, capacity metrics and funds should be project-specific milestones defined in the enhancements delivery plan? Do you have any comments on how useful the enhancements delivery plan has been in CP4? What are your views on indicators to measure the efficiency and effectiveness of the use of the funds?**

Freightliner has no objection to this proposal providing it doesn't compromise the efficiency of Network Rail in delivering projects. You mention the Northern Hub as one example of a major project where the ORR may seek to apply such an enhancements delivery plan. In this case NR is already consulting with industry stakeholders on key project decisions and assumptions through the North of England Programmes Board and other meetings held on a regular basis.

When it comes to projects and enhancements, of particular importance to us is early consultation, to allow us to have input into option selection and design. Whilst the proposed approach is welcomed for major projects, it is still often the case that "less significant" enhancements do not receive the same level of stakeholder involvement. This

is particularly applicable to the appraisal of options where detailed explanation of business case development and the justification of Benefit:Cost ratios is often not provided to stakeholders, preventing us from understanding how decisions have been reached. All too often at the Network Change stage, we will still be registering objections and proposing different solutions, which by then should just be a “tick box exercise” with stakeholders. That said, we welcome any proposal that increases the transparency of NR’s decision making and ensures that they are held accountable for the delivery of major projects.

In terms of specific freight schemes, we feel that the creation of a specific ring-fenced Strategic Freight Network (SFN) fund in CP4 has been a success. The process whereby the responsibility for allocating funds to specific SFN schemes is decided amongst the SFN Steering Group members has worked well as the Freight Operators have a long term incentive to see an enhanced rail network delivering value for money, unlike passenger TOCs whose priorities are skewed towards the short term with no incentive to look beyond the term of their franchise. We would hope that the ORR allows this delegation of decision making to the SFN group to continue into CP5.

**Q4. We propose to define delivery plan milestones to ensure Network Rail delivers a plan to reduce risk at level crossings, and to use certain indicators to monitor Network Rail’s delivery of these outputs and its wider legal obligations. Do you agree with this approach?**

Freightliner has no specific comment to make here although we support the continued investment towards the risk reduction and/or closure of level crossings.

**Q5. Do you have a proposal for an alternative to the existing network availability (for reducing disruption from engineering works) outputs, which could be viably implemented in time for the start of CP5? If the existing outputs are retained do you have any proposals to improve them?**

Freightliner believes that the current Possession Disruption Index measure (PDI-F) is of little use to freight operators or other stakeholders. The current PDI-F calculates the extent of planned disruption to freight services, weighted by the number of train movements. The level of aggregation to a national figure means that the statistic makes it impossible to gauge the impact of disruption to specific areas or customers.

We believe that a new measure should be developed, that assesses milestone improvements to the key freight flows that have been identified in the JNAP (Joint Network Availability Plan). This approach would allow the metric to align itself with the principles of the JNAP and also provide NR with a clear incentive to improve their performance in this area.

Freightliner is keen to continue to work with Network Rail and the other FOCs to develop and propose a new measure that will be more useful to all parties.

**Q6. Should we introduce a measure of the efficiency of the use of possessions, and if so how could this be defined?**

Freightliner is supportive of the concept of this, on the proviso that the regulator actively seeks to take action if it is found that NR is failing to achieve whatever target is set in this area. Leaving aside the access requirements to deliver enhancements, the future work banks for renewals and routine maintenance in CP5 will require increasingly intrusive periods of access on certain routes. One such example is on the WCML north of Warrington where we understand NR has a significant backlog of plain line track renewals. In 2013 NR has requested a 9 day blockade to carry out some of this work, which will cause significant disruption to passengers and freight customers.

Where significant blocks of access such as this are being requested Freightliner would like to understand what the long term benefit will be in doing the works in such a disruptive manner. At the same time, as an operator we may be more willing to be more flexible in

agreeing to possession requests if we could be confident that works are being carried out in the most efficient manner possible.

The measure you are proposing here should focus on the number of booked possessions that are actually utilised and the outputs achieved in each. If possible to monitor, it would also be helpful to look at the length of time within each possession from when the last train has passed until works actually commence and then the time taken to hand back a line before traffic opens again. We believe that the actual length of time available to do any work within a possession is shrinking and NR should be working to improve this process, where possible (and without compromising safety) to allow them to increase the productivity of work that takes place while a line is shut.

**Q7. Do you agree that we should retain the CP4 network capability output? Do you have a view on the usefulness of the indicators suggested, or any further suggestions for improvement?**

Freightliner is in full support of the retention of the current network capability output. Network capability is vital to freight operators, whose commercial decisions are often affected by the limitations of the infrastructure. Issues such as gauge and heavy axle weight restrictions can affect the ability to develop new flows so the regulation in ensuring that the current capability is maintained is a minimum requirement.

Freightliner would like to see the ORR become more pro-active in their regulation of Network Rail in this area, particularly when it comes to their adherence with Part G of the Network Code. We regularly find examples of network capability changing with NR circumventing the Network Change (NC) process in one way or another. Once such a change has taken place it can then be a very difficult and a lengthy process to restore the original capability should it be found that NR have not followed the correct NC process.

The target published capability must be measured at the start of the Control Period rather than as a 'snapshot' of what it actually is. If not then the target level maybe inaccurately low, particularly in the case of those instances already mentioned where the current capability doesn't match what is currently published in the Sectional Appendix (and where no Network Change has been fully processed to permit a shortfall on the published capability).

**Q8. We want to improve the definition of the existing station condition output (SSM - station stewardship measure) and introduce a new measure - SSM+ - which provides a clearer disaggregation for measuring condition and better, value based, weights. Do you agree with this new approach?**

Freightliner has no comment to make here.

**Q9. Do you agree that we retain the current CP4 measure of depot condition but treat this as an indicator rather than an output?**

Freightliner has no comment to make here.

**Q10. Do you agree with the proposed new approach to strengthen the focus on further asset management improvements? Do you have any specific comments on the detailed measures?**

Freightliner has no specific comment to make here.

**Q11. Which, if any, of the asset management measures do you think should be regulatory obligations (equivalent to outputs), and which should be enablers/indicators?**

Freightliner has no specific comment to make here.

**Q12. Recognising that certain indicators are needed to monitor HLOS delivery, and that Network Rail is in the process of deciding on further indicators, do you have views on specific environmental indicators which we should monitor?**

Freightliner has no comment to make here.

**Q13. Should we introduce a new indicator of changes in journey times? Do you have views on how this measure should be calculated? Should we also introduce a measure of accessibility to stations?**

Freightliner has no comment to make here.

**Q14. Should we introduce a new indicator designed to measure improvements in passenger information provision and how should this be measured?**

Freightliner has no comment to make here.

**Q15. Should we also consider new indicators for example covering Network Rail's supply chain management and approach to innovation?**

Freightliner has no comment to make here.

**Q16. Do you have views on the introduction of a new measure of how Network Rail is developing its capability as a system operator, and what the measure should cover?**

Freightliner is supportive of any move that will improve the effectiveness of the Capacity Utilisation Index measure although without further details of what is proposed it is difficult to comment further. One of the advantages of the current measure is its simplicity, although the downside is that it can only be used to measure a snapshot of a specific section or location rather than a whole route.

We believe that the utilisation of existing capacity is an important area and one which should receive greater focus than it has done up to now. The development of an alternative measure should allow Network Rail to gain a detailed understanding of existing capacity use to ensure that it is utilised in the optimum manner as the first step before expensive enhancement solutions are considered.

**Q17. Should we have a mechanism to allow formal trade-offs to be made between high level outputs during the control period?**

As already explained, the freight operators are currently working with Network Rail to agree new measures that apply specifically to freight. In terms of performance, we would prefer that any measure is assessed at a national level so therefore would not expect there to be a need to flex an agreed target for the Control Period purely as a result of a specific project.

**Q18. What do you think of the idea of a scorecard to provide context to our assessment of Network Rail's performance in CP5? Do you have views on our proposed scorecard, and do you have alternative suggestions?**

Freightliner has no objection to the principle of the whole industry scorecard as a method of providing a 'high level' snapshot of the performance of the industry throughout the Control Period.

Of the indicators proposed on your scorecard in Table 13 care should be taken with those related to freight as a reported decrease in some cases is not necessarily a bad thing. For example, whilst we would hope that freight tonnes lifted and modal share continues to increase, freight train km may well decline as operators seek to continue to improve

efficiency by operating longer and heavier trains.

In the same way, an increase in passenger train kilometres could paint an artificially positive picture if seat utilisation is poor, particularly for off peak services. We would suggest that capacity utilisation of passenger services would also be a useful measure for these reasons.

It may also be useful to link the freight measures to other benefits such as sensitive lorry miles removed as a result of increased rail freight volumes. If it was possible to quantify this it would help in calculating a more accurate picture on modal shift than other indicators.

If you require any further input from Freightliner or require any clarification relating to the points raised please let me know.

Yours sincerely

Tim Jackson  
Rail Industry Manager  
Freightliner Group Limited