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4 December 2012

Dear 

## RE: TRAIN PERFORMANCE 2012-13

Following your letter of 23 October and our meeting on 27 November I was due to write to you about the important work that Chris Gibb has done in reviewing performance on the south end of the West Coast Main Line. However given the current range of train performance issues I have set out below a broader summary of the position for 2012/13 and the balance on this Control Period.

### Long Distance sector

Firstly I would like to record formally Network Rail's appreciation for the work Chris has done which follows on and complements the Long Distance Recovery Plan that we developed earlier this year. We are very grateful for the offer by his shareholders to make him available and the manner in which he has undertaken the assignment.

I believe that we now have a better understanding of the priorities to improve Long Distance (LD) train performance on the WCML and sustain it at higher levels. We are also pleased that both the West Coast South Joint Board (WCSJB), that he instigated with senior representatives from all the relevant train operators, and the National Task Force (NTF) have recognised his contribution. The level of cooperation within the WCSJB is particularly welcome and in large part has been engendered by Chris's approach.

I note that since Chris's report was finalised there has been some discussion and misunderstanding about the role of renewal volume targets. As you know, we strongly support output based regulation so renewal volumes clearly do not have a role as "targets" in such a regime. We recognise of course that renewal volumes are relevant as an indicator for informed discussions about sustainability of efficiency savings. We also recognise that the resulting regulatory monitoring of these indicators and the sometimes detailed discussions which follow can appear to imply some form of targeting and this is not clearly understood by all concerned. We have



therefore emphasised that an important output from the periodic review should be clear and simple messages about the regulatory treatment of outputs, enablers and indicators.

We will be implementing in full, and as quickly as we can, what Chris has recommended. Dyan Crowther will now pick up the Route based initiatives in her new role as Route Managing Director for LNW. Fiona Dolman, who is in an interim position covering Dyan's former role, will manage the implementation of the wider operational recommendations. This will include for example the initiatives on suicide management or the links with the Base+ and Base++ initiatives within the LD Recovery Plan. In particular we want to maximise the benefits of the LNE Regulating trial on the LNW Route and elsewhere on the network.

I suggest we report progress to ORR within the current arrangements for monitoring the LD Recovery Plan. Perhaps our respective teams can finalise the details? We will also report back regularly to the WCSJB, which will continue, and the NTF.

As you note improving the links between engineering and procurement, as highlighted by the performance of the neutral sections on the OLE, requires some more fundamental changes across our organisation. We have begun to review other components and sub-systems to identify the generic changes we need to make. I suggest we update ORR on what will be quite an extensive programme at future high level Asset Management liaison meetings.

In summary for Long Distance we believe that the work that Chris has done is a very important further building block on top of the LD Recovery Plan. Our main Board echoed that view when we discussed West Coast performance recently and has given me and my team all the resources we need to restore underlying performance, subject as ever to the impact of external events such as severe weather.

### **Cross Country**

With respect to CrossCountry (XC) I note your endorsement of the "JPIP live" approach to improving their services and can assure you that all route teams are engaged. Delivery of the new approach has started.

To recap, XC would only sign the original JPIP until Period 4 of this year because they were concerned that the JPIP schemes, which were aimed at minutes delay reductions, would not provide the projected PPM improvements required. They believed that as a network wide operator with complex services over long distances that the relationship between minutes and PPM did not hold up as with other operators. The experience of performance in the first quarter confirmed that view –

PPM was poor due to a number of seriously disruptive incidents during these periods, including cable thefts and flooding.

Since then, and as part of the LD plan, we have introduced within the National Operations Centre (NOC) additional specific resources to monitor Long Distance services (including some 50 of XC's key services) in order to help the Routes take the best decisions in the interest of performance, and particularly PPM, through the overview the NOC has. This is a significant commitment and is a key initiative for improvements to PPM for XC. An initial review of the impact since July has provided positive evidence of significant benefit to PPM for XC and other LD operators.

To support these operational initiatives during the last six months we have also recruited a dedicated team to analyse, review and drive improvements in performance delivery to XC. This new team comprises a Performance Manager and a team of three analysts and performance specialists and is already working closely with XC's team. It is engaging with each of the eight Routes that XC services operate over, reviewing performance improvement schemes and proposals and providing appropriate challenge where needed. This team also facilitates specific cross-route service delivery groups which engage with XC in seeking improvements to performance of XC services.

It was recognised that for the JPIP process to be most effective for delivering improvements for XC it needed to be more dynamic and engaging with routes. Helen Waters and John Boon signed a joint letter on 26 September 2012 setting out this approach and provided it to both NR Route Managing Directors and XC directors. In particular it sets out the following key enhancements:

- A new XC/NR meeting every period to review and monitor delivery of committed schemes.
- Under-performing and inconsistent KPIs and PPM failure 'allowances' will be targeted in order to focus and prioritise new schemes for development with RMDs.
- Key node monitoring of XC train service performance introduced (agreed at July RMD / XC conference) and top asset failures hot-spot location analysis.
- Introduction of bilateral XC / RMD meetings which each RMD (supported by the central account team) with a frequency of at least twice a year to drive improvements. This is over and above the newly introduced XC / RMDs (eight routes) conferences for which there have been two so far this year and another arranged for December.
- Open-book approach to evidencing delivery of outputs of performance improvement schemes whether NR or XC, including improved project management processes and milestone monitoring.

The original JPIP signed in April 2012 has been updated for this new approach including the focus on top schemes and the active forecast review.

### **London & South East**

Like you we have been concerned about some of the levels of performance within the London & South East sector for some time. As the discussions at NTF have highlighted the issues are more complex and vary by Route and TOC. When Dave Ward and I met you and Roger McDonald on 14 November we confirmed that we are now addressing many of the asset related issues that have been discussed previously especially on the Sussex and Wessex main lines. In addition we are seeking a better understanding of the levels of sub threshold minutes and their relationships with PPM and delay minutes and especially reactionary delay. We will also be transferring the relevant lessons from the LD Recovery plan and Chris's review.

I have asked Dave to lead that work in the new role of RMD South East with the RMDs for Sussex and Kent will report to him as well as in Anglia.

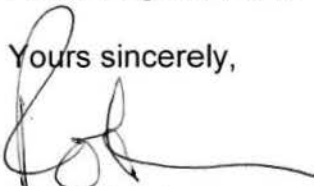
### **Other Sectors**

In covering off the other performance issues in 2012/13 and for the balance of the Control Period we are pleased to be able to note continued good performance in Scotland and that the work of the Freight Joint Board is also going well. Performance for the Regional sector has however slipped to a position of being ahead of CP4 targets but behind JPIP. We will therefore review the underlying performance for Regional as well in the next few months.

In summary, I do hope this letter sets out the broad range of commitments we are making across the business to do all we can to drive up levels of train performance towards the Control Period targets. We fully recognise we still have some way to go.

I am copying this letter to Chris Burchell, Gary Cooper, Chris Gibb, Helen Waters, Paul Rodgers, Paul Plummer, Dyan Crowther, Dave Ward and Fiona Dolman.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Robin Gisby". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**Robin Gisby**  
Managing Director, Network Operations

**Michael Beswick**  
Director, Rail Policy  
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OFFICE OF **RAIL REGULATION**

23 October 2012

Robin Gisby  
Managing Director, Network Operations  
Network Rail Infrastructure Ltd  
King's Place  
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N1 9AG

Dear Robin,

### **Long Distance Performance 2012-13**

Thank you to you, Dyan and Chris for taking time on 15 October to talk us through the initial conclusions of Chris's work on the southern section of the West Coast Main Line.

Chris has identified a number of initiatives to improve performance on the route in the near term and help sustain that improvement. Chris's secondment was a really positive step, complementing the work of Jo Kaye and her team, and the result appears to be a significant step forward.

Clearly Chris will be doing some further work on the issues we discussed before his project concludes. What Chris recommends to you is up to him, but in his final conclusions or in your response to it, I would suggest there be more detail about

- short term actions to improve reliability of the overhead line equipment;
- the impact of new methods of track inspection and how these will be used to improve prioritisation of maintenance in the near term;
- how much flexibility Dyan and her team will have to put in extra resources/ carry out extra activities to improve performance; and
- how the base+ and base++ initiatives will be implemented on the route.

It would also be useful to be clear what PPM result you are now expecting against Virgin's 2012-13 JPIP PPM (MAA) target of 89.3%.

Page 1 of 2  
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Following Chris's recommendations, ORR would expect a commitment from Network Rail to implement the conclusions. As we discussed, some of the recommendations, for instance the disconnect between engineering and procurement highlighted by the issue with neutral sections, will require a commitment across Network Rail, not just on the London and North Western route. Moreover, we would expect you to ensure that the lessons from Chris's work are put into practice on other routes and reflected in the long distance plan and your work on London and South East.

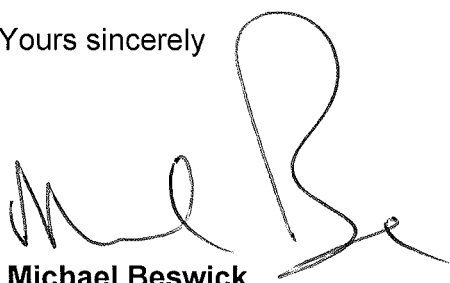
Cross Country also remains a concern for us. We recognise that some of the issues impacting on its current performance are different from those on West Coast. You have in place a 'JPIP live' with Cross Country setting out how Network Rail will work with the train operator to improve performance. In our view it will be important for you to ensure full engagement by all the relevant routes to turn this into a proper improvement plan, with effective coordination from the central account team. Some of the national initiatives such as those involving control should also help.

Subject to these points being addressed, I am minded to recommend to ORR's Board that we should accept that you are doing all that is reasonably practicable on long distance performance in 2012-13, and thus that you are complying with your licence. But our Board will want to hear the commitments from you and David Higgins before concluding on this.

I suggest next steps are for Chris to finalise his recommendations and for you to work up your response, setting out what you will do to deliver them, and also setting out what you will do for Cross Country. I will fix a meeting for you, David Higgins, Chris and Dyan to run through these with Richard Price, Ray O'Toole and me, and subject to that I will write to you confirming our position in respect of 2012-13. I would expect Chris's recommendations, your commitments and our response to be published.

I am copying this letter to Chris Gibb, Dyan Crowther, Paul Plummer and Helen Waters.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Beswick'. The signature is fluid and cursive, with a large loop at the end of the last name.

**Michael Beswick**



OFFICE OF RAIL REGULATION

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24 October 2012

Mr Robin Gisby  
Managing Director, Network Operations  
Network Rail Infrastructure Ltd  
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Dear Robin,

### **London & South East Recovery Plan**

Thank you for sending us the latest version of the LSE recovery plan at the end of last month. I thought that I should update you on our emerging assessment of it.

We have been working to satisfy ourselves that the numbers in the Base Plan are consistent within the plan itself and with the industry view as expressed in the JPIPs. We still have a little work to do relating the commitments to the JPIPs but so far I have no reason to believe that there is a lack of integrity within the numbers presented for the Base. Subject to some specific points made below, the Base initiatives presented in the plan map well to the causes of delay, and appear to be as robust as one could expect given the difficulties in quantifying and evaluating these.

However, the Base+ has been less easy to validate and we do not yet feel confident that the delay minute savings and associated improvements in PPM can be delivered with any degree of certainty. Base ++ is currently a list of ideas with no quantified assessment offered to validate the predictions presented. However, inevitably performance improvement is a "work in progress" and it is good to see that further ideas are being developed which gives more confidence in achieving the Base if there are some unexpected setbacks.

Looking at the plan as a whole, we would like to hear more about what you are doing to reduce the number of high impact asset failures on the core routes through targeted monitoring, maintenance and renewal interventions. This particularly applies to non-track assets, but on some routes (for instance the Brighton Line) there also appear to be track issues. We would also be interested in whether any lessons from the Chris Gibb work on West Coast South can be applied more widely; also whether some of the learning on how to introduce new or changed assets on Thameslink could be applied more widely. It would also be useful to understand how you see delivery of the plan being led and the role you envisage for Dave Ward.



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Roger McDonald is speaking informally with TOCs to gauge their confidence in the delivery of the JPIPs. He is gathering their views on further actions needed, and trying to understand both their and Network Rail's contributions. So far their feedback on the level of engagement with Network Rail has been positive. Roger will let you know if any further issues emerge from these discussions. There may also be some issues coming through National Task Force on 24 October. In addition, we have asked the Independent Reporter, Jon Wiseman, to provide us with his assessment of the LSE plan by the end of this month; this will also inform our view.

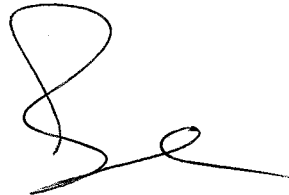
Roger and I are meeting you and Dave Ward on 14 November 2012. I hope you will be able to respond positively to the points made above and any further issues that emerge. Following that meeting I will need to decide whether to advise our Board at the end of November that you are doing all that is reasonably practicable in the circumstances to meet the LSE targets, and thus are in compliance with your licence and likely to remain so (subject of course to delivery of the plan). I hope we can get to this situation, but if we cannot we may be looking at a possible licence breach and enforcement action.

I am copying this letter to Chris Burchell, Gary Cooper, Paul Rodgers and Paul Plummer.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Michael Beswick'.

Michael Beswick

A handwritten signature in black ink, appearing to be 'Roger McDonald'.