

John Larkinson
Chief Executive



Andrew Haines
Chief Executive
Network Rail Infrastructure Limited
By email only

6 May 2020

Dear Andrew

Holding Network Rail to account during the coronavirus pandemic

First, I want to thank you, and everyone at Network Rail, for the work that you are doing to keep the railway open during this time of unprecedented public health challenge. Network Rail is playing a vital role in making sure that critical workers and essential supplies are kept moving.

When we spoke at the start of the pandemic, I said ORR would take a pragmatic approach to its monitoring and oversight of Network Rail – being proportionate and targeted in our activities – and that we would respond quickly to any request you made to allow the company to operate effectively at this time. We have done this – for example we have reviewed and agreed an approach for emergency standards quickly and reprioritised our project work where needed.

We will continue this pragmatic approach, working collaboratively with Network Rail. But it remains as important as ever that Network Rail delivers efficiently and effectively and that ORR provides independent scrutiny for passengers, the freight sector and funders.

I am therefore writing to set out how we intend to hold the company to account during this time. I have not made any assumptions on the long-term impacts of the pandemic on factors such as rail demand or government policy, as these will only become clearer over time.

Using the flexibility built into the PR18 framework

The framework established in PR18 for holding Network Rail to account is flexible. For example, in England & Wales we placed emphasis on Network Rail agreeing key outputs with its customers, refreshing these annually, and delivering against them – only setting fixed outputs to protect minimum performance levels and long-term asset sustainability. For the whole of Great Britain, we established a transparent process for managing change. Wherever possible we will use this flexibility to accommodate any issues resulting from the impacts of the pandemic.

Key underpinning principles

Before explaining how ORR intends to hold Network Rail to account in each phase set out below, it is useful to set out the principles that apply to all the phases:

Network Rail data / information:

- Network Rail continues to provide ORR with established data submissions and reports, except where we agree these are not relevant or proportionate.
- Network Rail continues to engage with ORR on its response to the pandemic, including providing regular management reports and continuing the engagement framework we have established with the Regions (where proportionate).
- Network Rail continues to keep and report clear records of change management, in particular capturing impacts on delivery of engineering works (maintenance, renewals and enhancements) and efficiency.
- Network Rail continues to provide appropriate, accurate and timely passenger information to the greatest extent reasonably practicable.

Network Rail's risk management and planning:

- Network Rail maintains strong governance and assurance processes – providing clarity on how it is managing risk on the network while delivering essential work.
- Network Rail develops interim performance trajectories and activity plans through its normal business planning process (engaging ORR on the appropriate timing), and in collaboration with operators, the Department for Transport (DfT), Transport Scotland and Welsh Government.
- Network Rail engages with ORR on its preparations for re-introducing services and then resuming its full range of activities following the impacts of the pandemic – such as delivery of engineering works.
- The focus is maintained on reducing enhancement costs, continuing the work that ORR and Network Rail are carrying out with DfT to explore options to achieve this.
- Network Rail manages risks to the supply chain – including retaining a pipeline of work in preparation to continue or resume work where it may have been deferred, or accelerate work where appropriate. It balances measures to support supply chain sustainability with efficiency considerations.

ORR scrutiny of future delivery and risk:

- ORR continues to review and report on Network Rail's performance, focusing on a forward-looking assessment: assessing future plans and risks to delivery of these.

- ORR places much less emphasis on holding Network Rail accountable for trajectories and targets (such as those on scorecards) agreed prior to pandemic, where these are less relevant now. Instead, we will place more emphasis on a qualitative assessment of whether Network Rail is doing everything reasonably practicable in all relevant circumstances as required by its licence¹ and on its delivery of both the UK and the Scottish governments' priorities for dealing with the pandemic – such as movement of critical workers and freight.
- ORR reports publicly on Network Rail's delivery, particularly on what this means at the time but more importantly what this means looking forward. As a minimum, we will report in our annual assessments.

How ORR will hold Network Rail to account

As the situation remains fluid, it is helpful to describe our approach in the context of the following broad phases, although the precise timeframes for each of these will depend on wider government decisions:

- initial response to the pandemic (primarily in the lead up to, and during the current restrictions);
- any re-introduction of services to accommodate increased flows of passengers and freight (primarily when restrictions are loosened); and
- resuming continuous business planning and reforecasting mechanisms to return to a 'steady-state' of planning and delivery, recognising that the exact form of the steady state is not fully known yet.

Initial response

Network Rail has acted with speed and decisiveness in response to the pandemic so far. Working closely with the Department for Transport, Transport Scotland, Welsh Government, TfL, the Rail Delivery Group, industry and the wider sector, it has established the industry crisis management structure, which is working well.

The company has established its priorities for delivery during the current restrictions, which are: keeping the network open; looking after its people; maintaining infrastructure integrity; delivering capital investment; and ensuring business continuity. Overall, we agree that these are the right areas of focus.

It is particularly worth recording that Network Rail's response to date has included:

¹ In particular, the delivery of core duties under condition 1, including the Network Management Duty – to secure the operation, maintenance, renewal, replacement, improvement, enhancement and development of the network to meet reasonable requirements to the greatest extent reasonably practicable having regard to all relevant circumstances.

- implementing a reduced timetable, which makes sure that vital routes are open to critical workers and freight flows. This work was carried out quickly and effectively;
- making changes to working practices and processes to deal with the pandemic while protecting its staff – engaging collaboratively with unions on these measures;
- continuing to deliver engineering work where possible. A revised programme of capital works was scheduled for Easter, and Network Rail delivered around 90% of planned works with no major operational issues;
- taking measures to support the wider sector, such as accelerating payments to suppliers and extending payment terms;
- assessing the capability of its supply chain to identify risks to delivery; and
- engaging with government on the impact on Network Rail’s business.

As the initial response phase continues, we will focus on monitoring Network Rail’s delivery of its priorities.

Re-introduction of services

In monitoring Network Rail’s planning and delivery for re-introducing services, our focus will be on its:

- management of risk (including safety, delivery and performance) and critical resource associated with increasing train services;
- planning for, and delivery of, the re-introduction of train services (including any management of demand), while managing timetabling risks and retaining focus on performance for passengers and freight;
- how it works collaboratively with industry and stakeholders; and
- any measures to make sure assets are ready to return to service.

Resumption of a “steady-state” in planning and delivery

As Network Rail returns to a “steady-state” of planning and delivery, linked to a re-forecast of the delivery plan, we will focus on its:

- planning for, and delivery of required train services, while managing timetabling risks and retaining focus on performance for passengers and freight;
- planning for maintenance, renewal and enhancement activity – ensuring any backlog of work is recovered or accelerated as soon as practical, while retaining a focus on efficiency;

- explanation and quantification of the impact of the coronavirus on performance and efficiency, any gaps to CP6 plans and how these will be addressed;
- plans to evolve the scorecard framework;
- planning to mitigate risks to future timetables from re-phasing of capital works;
- collaborative working with industry and stakeholders; and
- lifting of interim measures that were put in place to support the wider sector during the initial response and service re-introduction phases.

At an appropriate point, we will jointly take stock of the framework for the longer-term.

I look forward to Network Rail's continued engagement to agree how we implement these measures while maintaining focus on the safe delivery of essential services.

I have copied this letter to DfT, Transport Scotland, the Welsh Government and the Rail Delivery Group.

Yours sincerely

A handwritten signature in black ink, appearing to be 'John Larkinson', written in a cursive style.

John Larkinson
Chief Executive