

Rail Strategy  
**Rail**

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Chris Littlewood  
Office of Rail Regulation

Sent by e-mail

Your ref:

Our ref:  
A4031261

Date:  
28 September  
2012

Dear Chris,

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

Thank you for the opportunity to consider the issues raised in this consultation. I have provided some general points in this letter with answers to specific questions in the Annex.

As you will be aware the Minister for Housing and Transport (now the Minister for Transport and Veterans) gave a statement to the Scottish Parliament in June this year outlining his ambitions for Scotland's railways. His statement recognised the critical role that railways play in Scotland's economic and social wellbeing, which has been supported by recent record levels of Scottish Government investment in infrastructure and services in a time of considerable constraints on public finances.

Control Period 5 represents a key milestone in the Scottish Ministers' long term plans to meet and encourage increasing demands for rail services in Scotland, as well as improving the quality, performance, resilience and the value for money of those services. The High Level Output Specification (HLOS) and Statement of Funds Available (SoFA), which Scottish Ministers' published alongside the Ministerial Statement, sets out the outcomes they expect to see delivered in full by the end of the next Control Period (2019) within or for less than the funding limits in the SoFA.

This consultation concerns the outputs and indicators which the ORR is considering putting in place for Control Period 5. We are broadly supportive of the framework proposed and the improvements planned, including more disaggregated outputs that should help to improve local transparency and accountability. In developing this framework, the overriding consideration for the ORR should, however, be the delivery of the HLOS outcomes in full by the end of the Control Period, within the financial limits contained in the SoFA. The ORR must seek to provide absolute assurance to Ministers on this point.

It our strong view that the delivery of the HLOS outcomes should not be compromised by trade offs. The ORR should, through its regulatory framework, encourage a 'can do' attitude within the rail industry so that where additional, of value outcomes and outputs are identified the industry seeks to deliver these in addition to rather than at the expense of the specified outcomes and outputs.

It is the approach of the Scottish Government to work closely with stakeholders in the development and delivery of outcomes and the HLOS is no exception to this. We have taken a collaborative approach with the industry in Scotland – including passenger and freight user representation - which has enabled a set of outcomes to be developed and included in the HLOS that we and the industry believe are challenging but achievable.

I hope this response is useful, and I am content for it to be placed on your website.

**Yours sincerely**

A handwritten signature in black ink, appearing to read 'Steven McMahon', written in a cursive style.

**Steven McMahon**  
Head of Rail Strategy

## ANNEX

### CONSULTATION ON NETWORK RAIL'S OUTPUT FRAMEWORK FOR 2014-19

#### *Responses to the specific consultation questions*

***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?***

We are supportive of the proposals outlined in the consultation document but expect the ORR to ensure that any additional KPI's align with the Scottish Ministers' expectations contained within the HLOS. A greater understanding of the underlying causes of delay would be welcomed.

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

Freight train service performance is hugely important in order to maximise the value of freight on the Scottish network and to support continued growth within the sector. We look forward to seeing the industry's proposals for an output.

***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?***

While we support the principle of a set of high level principles for setting outputs for named projects, we also are supportive of the detail being established on the basis of specific projects.

This is the first time that the Scottish Ministers' have specified the extensive use of funds, therefore it is critical that the ORR develops a system of indicators which measures efficient and effective use of funds. Such indicators should align fully with the governance arrangements developed for the funds on the basis of the principles set out within the HLOS.

***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?***

Safety is not a devolved issue and remains the responsibility of the Secretary of State for Transport. However, we are broadly supportive of the proposals.

***Q5 – Do you have a proposals 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 the next control period? If the existing outputs are retained do you have any proposals to improve them?***

The ORR must ensure that passenger and freight customers' interests are at the heart of the availability outputs. There is substantial anecdotal evidence of the current system resulting in unintended behaviours and consequences.

***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?***

As a minimum, the ORR must ensure that the network is capable of delivering capacity and capability specified in the Scottish Ministers HLOS with robust monitoring and enforcement where necessary.

***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?***

We are supportive of this proposal. We believe this is an area where alliancing may be of particular added value.

***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?***

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

We welcome this proposal and expect to see a clear disaggregation of obligations, enablers and indicators for the Scottish operating route.

***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?***

It is possible that with the forecast growth in rail services and patronage there may be a short term increase in carbon emissions. This should be counter balanced with improved efficiencies and developing modern practice and standards. We would therefore expect to see both absolute and normalised carbon emission data with, at a minimum, the normalised factor to be reducing.

Use of other energy should also be normalised against suitable criteria. For example depot energy may be challenging to normalise but there should be a predetermined benchmark that will give an indication of efficiency. e.g. No of trains serviced or stabled, area of depot or number of staff.

The assessment of embedded carbon should be carried out with a suitable carbon tool for example the Transport Scotland Rail infrastructure project tool. This information could then be used to calculate a whole life carbon assessment to help inform project design, construction, and operation decisions to ensure environmental and sustainability issues are considered.

***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?***

On journey times, we are broadly supportive of the proposal, which should reflect the best interests of passengers and freight users. We would hope that the industry would be in a position to provide a level of information which would enable the consideration of suitable journey times outcomes in Control Period 6.

On accessibility, we would be broadly supportive of the setting of a high level measure. However, this should not serve to increase costs in Control Period 5.

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

We are supportive of this indicator which puts passengers interest's foremost.

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

This is a matter for the ORR. However, this should be progressed quickly and disaggregated to the Scottish Route.

***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?***

We would welcome work by the ORR to bring more certainty around the role of system operator.

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

Scottish Ministers expect to see the outcomes contained with their HLOS delivered in full and within the financial limits of the SoFA. However, if opportunities arise during Control Period 5 to realise additional benefits then they should be explored but not at a risk to the outcomes contained within the HLOS.

***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?***

We are broadly supportive of a separate scorecard for Network Rail’s performance in Scotland during CP5. We would welcome further thought on how the scoring system would be developed in order to avoid possible score ‘fixation’ at the detriment of other areas.