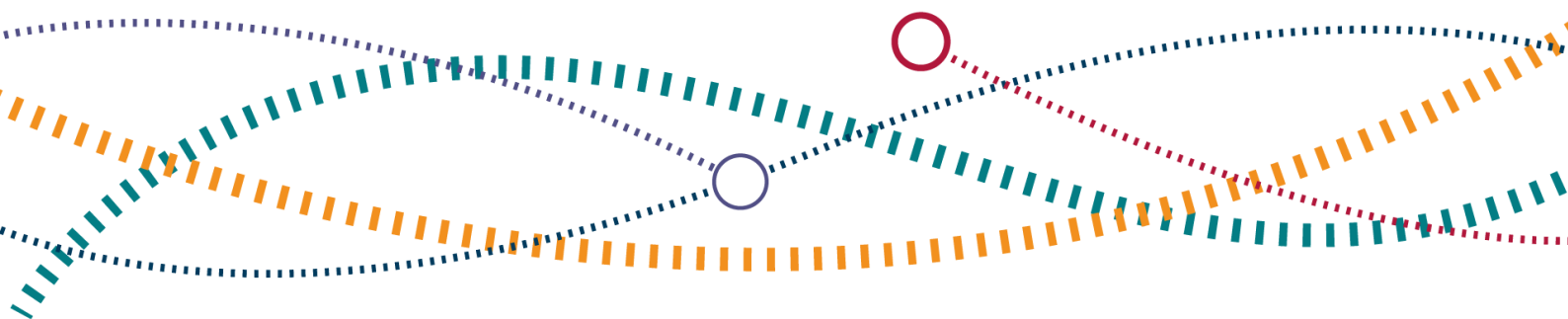




Annual assessment of Network Rail's stakeholder engagement 2020-21

The FNPO – individual assessment

22 September 2021



Contents

Freight and National Passenger Operators	2
Introduction	2
Summary	2
Key conclusions across each principle	5

Freight and National Passenger Operators

Introduction

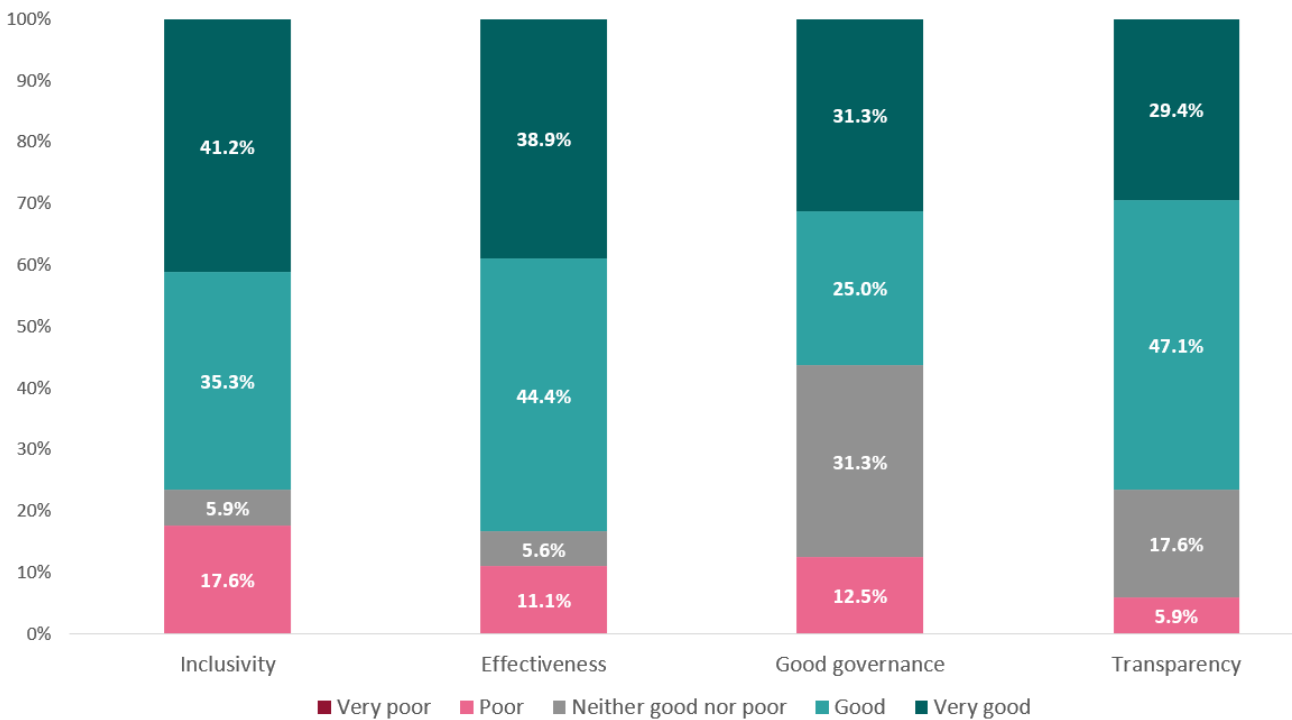
- 1.1 This report presents our key findings and recommendations on the quality of Network Rail's Freight and National Passenger Operators (FNPO) function's stakeholder engagement during the second year of Control Period 6 (CP6), from April 2020 to March 2021. Alongside this report we have separately published our key findings and recommendations on the quality of Network Rail's stakeholder engagement as a whole during year 2 of CP6, as well as individual assessments for:
- (a) each of the five Network Rail regions;
 - (b) the System Operator; and,
 - (c) Network Rail's engagement on its Enhancement Delivery Plan.

Summary

- 1.2 The FNPO was established to support freight operators, national passenger operators, charter operators, and freight end-users, representing their needs in their interactions with Network Rail. Consequently, The FNPO engages with a reduced range of stakeholders compared to the geographic regions.
- 1.3 The FNPO has faced a number of organisational changes since the start of CP6. It was moved to Network Services during year 1 of CP6 as part of Network Rail's Putting Passengers First transformation programme. During year 2 of CP6, the FNPO was split into two functions: freight (Network Rail Freight) and Cross Country and prospective open access operators.
- 1.4 Further organisational changes have now taken place, with the dissolution of Network Services in April 2021 and the subsequent move of the FNPO to become part of the System Operator. These changes happened at the very start of the year 3 of CP6 and are therefore out of scope for this assessment. We will review the impact of the move to the System Operator on the FNPO's stakeholder engagement as part of our year 3 assessment.

1.5 The FNPO’s stakeholders were very positive about the engagement that had taken place during the year. In our survey, 94% of freight respondents rated the FNPO’s engagement with them as good or very good and 41% said engagement had improved over the year. In addition, a large majority of freight stakeholders responded about the FNPO’s engagement across the four principles of engagement. Overall, freight stakeholders’ perception of the FNPO’s engagement compares very well to the other business units.

Figure 1.1 Freight stakeholder views on the FNPO’s engagement across the four principles, 2020-21



Survey question: “In your opinion, how would you rate the FNPO’s engagement with you on Network Rail’s licence obligations of inclusivity, effectiveness, good governance and transparency?”

Source: ORR’s stakeholder survey

1.6 The FNPO’s own self-assessment displays a robust understanding of its stakeholder priorities and concerns, and we note that it has strengthened its documenting of customer priorities and how it tracks progress against these. It is also worth noting that the FNPO has successfully adapted to organisational changes and effectively reacted to the Coronavirus (COVID-19) pandemic to continue to represent and support freight stakeholders. Our survey results

indicated that freight stakeholders responded positively to these efforts. For example, one freight stakeholder commented that:

“We engage with the Freight Team of Network Rail. They have been very supportive over the last year ... through a challenging period with Covid”. (A FNPO stakeholder).

- 1.7 This reflects our own experience of the FNPO’s stakeholder engagement. The FNPO is strong on engaging with its stakeholders and supporting them, and this has been well evidenced during the Coronavirus (COVID-19) pandemic. In our [Annual Assessment of Network Rail 2019-2020](#) (paragraph 8.1), we expressed concerns that the influence of the FNPO could be adversely affected as it was moved into Network Services. However, this did not happen and the FNPO has worked hard to adjust its structures and processes to effectively promote freight interests across the routes and regions.
- 1.8 The key area for improvement the FNPO identified in its self-assessment is to strengthen its engagement with freight end-users. ORR agrees this should be a focus going forward and the FNPO has taken positive steps to develop its engagement with this stakeholder group.
- 1.9 Over the coming year, there are risks and opportunities from the move of the FNPO under the System Operator. The FNPO will need to adapt successfully to ensure that it maintains and improves on its approach to stakeholder engagement. We will review the impact of the move to the System Operator in our year 3 assessment.

Key conclusions across each principle

Table 1. Summary of key conclusions across each principle

Principle	Key conclusion(s)
Inclusiveness	<p data-bbox="403 434 1422 779">Given its organisational function, the FNPO engages with a much-reduced range of stakeholders compared to that of the regions, which centres on freight stakeholders (operators and end-users) and national passenger operators. The inclusivity of the FNPO’s engagement with these stakeholders is strong. Our evidence showed that the FNPO has a thorough operational and commercial understanding of its stakeholders and that it has sought to engage with them in an appropriate manner.</p> <ul data-bbox="403 815 1422 1839" style="list-style-type: none"> <li data-bbox="403 815 1422 1025">● In its self-assessment, the FNPO was able to explain the priorities and concerns of each stakeholder and how it had reacted to them. The FNPO also identified its freight stakeholders and segmented them into three groups (i.e. operators, end-users, and industry groups) to adapt engagement approaches. <li data-bbox="403 1070 1422 1323">● The FNPO used a range of engagement formats and methods (e.g. formal structures, cross-industry groups, working groups, bilateral engagement). Consequently, the FNPO’s stakeholders responded very positively on the inclusivity of the FNPO’s engagement in our survey, which compared very well to the other business units. <li data-bbox="403 1368 1422 1839">● That said, whilst we were confident that the FNPO knows its stakeholders well, we have not seen evidence of a more structured and systematic analysis of its stakeholders (e.g. a mapping exercise) supporting choices made in terms of engagement. In future, the FNPO should challenge its current approach with a detailed stakeholder mapping exercise. This exercise will help the FNPO to test its understanding of its stakeholders and identify any gaps. It will also contribute to embedding the FNPO’s stakeholder engagement expertise within the business and reduce losses in knowledge and expertise due to staff turnover.

Principle	Key conclusion(s)
	<p>Furthermore, the FNPO has effectively ensured that freight and national passenger operators are more effectively included in key meetings and activities across Network Rail.</p> <ul style="list-style-type: none"> Following the implementation of the Network Rail-wide programme Putting Passenger First, the FNPO has successfully changed its organisational structure for engaging with the regions. This has enabled it to support more inclusive engagement between Network Rail regions and freight and national passenger operators, and to engage with the regions directly on behalf of its stakeholders. As a result, freight and national passenger operators have been given more opportunities to voice their priorities and concerns across the organisation and the FNPO has advocated for their requirements to be captured as part of broader enhancement and development plans. <p>However, our evidence indicated that the FNPO's engagement is less developed with freight end-users, who are key customers of the railway and freight services.</p> <ul style="list-style-type: none"> The FNPO recognised this in its self-assessment and stated that it was seeking to develop engagement with this group. This resulted in the development of a “plan on a page” to engage with freight end-users on a more regular basis. The FNPO should ensure it effectively implements its plan to improve engagement with freight end-users and evaluate the results achieved as well as identify further areas for improvement.
<p>Key strengths</p> <ul style="list-style-type: none"> The FNPO had a detailed operational and commercial understanding of its stakeholders. The FNPO had adapted its engagement approach to stakeholder groups. The FNPO successfully promoted the inclusion of freight and national operators stakeholders and interests across Network Rail. <p>Areas for development</p>	

Principle	Key conclusion(s)
	<ul style="list-style-type: none"> While the FNPO had a robust understanding of its stakeholders, we have not seen evidence of a structured <i>analysis</i> of its stakeholders supporting the chosen engagement approach. We recommend carrying out such an exercise to challenge its current approach, identify strengths and areas for improvement, including if any gaps exist. This exercise will also contribute to embedding the FNPO’s stakeholder engagement expertise within the business and reduce losses in knowledge and expertise due to staff turnover. The FNPO should monitor the implementation and performance of its “plan on a page” to develop engagement with freight end-users and continue to identify opportunities for improvement with this group.
Effectiveness	<p>The evidence on the effectiveness of the FNPO’s engagement is very strong. Our evidence showed that the FNPO had sought regular feedback from its stakeholders, and recorded and reflected on their priorities to secure improvements for them.</p> <ul style="list-style-type: none"> Unlike the regions, the FNPO chose not to introduce an annual stakeholder survey to collect stakeholder feedback, and rather rely on regular engagement and customer scorecards to record and track stakeholder priorities. For example, the FNPO implemented a customer satisfaction measure in its scorecard with a few freight operators to track the impact of its actions and has set a stretching goal for this, including developing forward plans of activities with freight operators to track progress on their priorities. <p>The FNPO has effectively adapted its engagement in response to Coronavirus (COVID-19) pandemic.</p> <ul style="list-style-type: none"> The FNPO increased its support to freight stakeholders through the Coronavirus (COVID-19) pandemic, for example, by introducing weekly calls with freight operators to understand and support evolving priorities. The FNPO seized the opportunities created by lower passenger traffic on the network to secure improvements for freight, for example by securing longer and heavier trains on the network. Freight stakeholders, in particular freight operators, therefore responded very positively on the

Principle	Key conclusion(s)
	<p>effectiveness of the FNPO's engagement during the year (of 18 freight respondents, 15 rated effectiveness as good or very good).</p> <p><i>“The freight sector has received good engagement and support from Network Rail with delivery of longer and heavier freight services during the pandemic. There have also been examples of journey-time improvement where passenger services have not operated.” (A FNPO stakeholder).</i></p> <ul style="list-style-type: none"> The FNPO's engagement has therefore led to some tactical successes. Nevertheless, it is less clear how the FNPO's engagement with stakeholders supports the development of longer-term strategies for the use of the network. <p>Finally, there is strong evidence that the FNPO developed and maintained collaborative relationships with its stakeholders.</p> <ul style="list-style-type: none"> We have collected numerous examples of joint working initiatives e.g., joint safety visits, joint performance review groups, including to resolve specific issues, and the FNPO presented several examples of setting specific engagement activities with new members of the industry to explain key industry processes and help them become familiar with key projects.

Key strengths

- The FNPO implemented a robust and joint tracking of customer priorities and progress made against them.
- The FNPO secured effective operational improvements for freight (e.g. running longer and heavier trains on the network).
- The FNPO reacted effectively to the Coronavirus (COVID-19) pandemic to support their stakeholders and identify opportunities to promote their interests.

Principle	Key conclusion(s)
Well – governed	<p data-bbox="405 271 1398 479">Following the implementation of Putting Passengers First, the FNPO adapted its internal structure to engage effectively with freight and national passenger operators, especially at route and regional level, and increased the consistency of Network Rail’s engagement with freight stakeholders.</p> <ul data-bbox="405 524 1426 994" style="list-style-type: none"> <li data-bbox="405 524 1426 994">• The FNPO embedded a process for its route freight teams to engage with freight and national passenger operators on a regular and local basis which provided a key point of contact to freight stakeholders. While this supported more agile engagement with freight stakeholders, these organisational changes could also create complexity and lack of transparency for stakeholders. We therefore welcome the recent completion by the FNPO of its Periodic Review 2018 (PR18) commitment to publish its governance framework. This will help stakeholders better understand the interfaces between the FNPO, the regions, the System Operator, and the other parts of Network Rail. <p data-bbox="405 1039 1390 1160">In addition, the FNPO’s governance framework included internal structures and processes to reflect on feedback collected from stakeholders and discuss appropriate actions.</p> <ul data-bbox="405 1205 1426 1899" style="list-style-type: none"> <li data-bbox="405 1205 1426 1899">• The FNPO strengthened its recording of customer priorities as well as how it tracks progress made on them. The FNPO engaged on a quarterly basis with freight operators to understand their priorities and reviewed progress against them. Formal governance structures also existed to review progress on customers’ priorities at senior level. For example, the Freight Periodic Business Review Forum meets every four weeks to review performance and discuss any customer specific or network-wide issues. We also noted that the FNPO had implemented a structured and joint approach for developing engagement with its freight end-users. It worked with them to develop a “plan on a page” which reflected freight end-users’ priorities, notably on development and growth, and identified specific milestones to monitor and a customer satisfaction score. The plans are reviewed with freight end-users every four months to monitor progress and identify further developments.

Principle	Key conclusion(s)
	<p>Finally, the FNPO moved under the System Operator at the beginning of the year 3 of CP6.</p> <ul style="list-style-type: none"> In its self-assessment, the FNPO identified this as an opportunity for closer alignment with strategic planning and timetabling, which are critical issues for its stakeholders, and stated stakeholders welcomed this organisational change. Nevertheless, it is too early to assess the effective impact of this organisational change on the FNPO's stakeholder engagement. We will review it as part of our year 3 assessment.
<p>Key strengths</p>	<ul style="list-style-type: none"> The FNPO effectively adapted to organisational changes to continue to support freight interests across Network Rail. The FNPO strengthened its internal processes and structures to record and reflect on customer priorities.
<p>Transparency</p>	<p>The evidence on the transparency of the FNPO's stakeholder engagement suggested that the FNPO is performing distinctively better than the regions on this principle and has taken positive steps to increase the transparency of its stakeholder engagement.</p> <ul style="list-style-type: none"> Freight stakeholders responded positively on the transparency of the FNPO's engagement in our survey (of 18 freight respondents, only 1 rated transparency as poor or very poor). We also noted that the FNPO has fulfilled its PR18 requirement to publish an annual report which provides stakeholders with greater visibility on the activities it has undertaken during the year. In addition, we collected a number of examples where the FNPO shared relevant information and data with stakeholders to support engagement and decision-making (e.g. average speed data). <p>We have some evidence that the FNPO regularly feeds back to its stakeholders on how their priorities were addressed, notably through the periodic review of customer scorecards and bilateral meetings.</p>

Principle	Key conclusion(s)
	<ul style="list-style-type: none"> • However, it is unclear how systematic this was and whether such initiatives were implemented with all stakeholder groups. In addition, feeding back to stakeholders through bilateral meetings or scorecard reviews means that it is often part of a one-to-one discussion so that the feedback and information is only shared between the FNPO and one particular stakeholder. The FNPO should therefore review the merits of providing feedback collectively or publicly on how its stakeholders' concerns or priorities were addressed, or not.
<p>Key strength</p> <ul style="list-style-type: none"> • The FNPO took positive steps to increase the transparency of its stakeholder engagement, for example with the publication of its annual report on activities and achievements and the sharing of information and data with stakeholders. <p>Area for development</p> <ul style="list-style-type: none"> • The FNPO should review the merits of feeding back collectively or publicly on how stakeholder priorities were addressed, and if not, why not. 	



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