

John Larkinson
Chief Executive



Andrew Haines
Chief Executive
Network Rail Infrastructure Limited
By email

23 November 2021

Dear Andrew

Network Rail's contribution to train service performance in the first half of 2021-22

The coronavirus (Covid-19) pandemic continues to have a huge impact on all aspects of running the railway – for example, affecting staff availability, working practices and passenger usage. In that context, Network Rail and the wider industry are continuing to deliver their essential services extremely well.

Last year, train performance was exceptional, in part reflecting the reduction in services and passenger usage brought about by the pandemic. While use of the rail network continues to be affected, demand has increased in the first half of 2021-22.

In our last annual assessment of Network Rail, we flagged a clear risk that the strong train performance seen in 2020-21 would decline as passengers and services returned and said that Network Rail must work cross-industry to retain as much as possible of the performance uplift.

With passengers returning, we are now seeing train performance (both passenger and freight) decline. So it remains as important as ever that Network Rail and train operators play their part in ensuring that passengers and freight customers receive a reliable and punctual train service.

We hold Network Rail to account for its contribution to train performance, and I am writing to set out our views on its delivery of this in the first half of 2021-22 (to the end of railway period 7).

Because train performance is heavily affected by changing usage and the dynamic operating environment, it is difficult to fully isolate Network Rail's contribution. For example, services in the first half of the year were affected by staffing issues, and service levels and usage have risen at different rates across the network. We are therefore continuing to place more emphasis on a qualitative assessment of Network Rail's contribution to train performance, and this is reflected below.

Train performance in the first half of 2021-22

Passenger train performance

Passenger train performance in 2020-21 was exceptional, with 80% of passenger trains arriving on-time compared with 65% the previous year. This was primarily driven by fewer train services and passengers on the network through various stages of lockdown. In the first half of 2021-22, train performance started to decline as the numbers of trains run and passengers travelling increased.

Since the start of the year, the percentage of trains arriving on time (moving annual average) has reduced from 80% to 77%. Over that time, passenger numbers have more than doubled and the number of trains run has increased by 29%. On-time performance so far in 2021-22 lies between the levels seen in 2019-20 and 2020-21. Our analysis finds that the reductions in train performance are closely correlated with increases in services and passenger numbers, and are approximately in line with modelled levels.

On-time performance is influenced by both Network Rail and operators, so we use a measure of Network Rail-attributed delay minutes per 100km of train travel (CRM-P) to understand its contribution to performance and compare across regions.

Network Rail-attributed delay has also worsened in the first half of 2021-22 compared with the peaks of performance seen in 2020-21. Wales and Western region has seen the largest increase (deterioration) in CRM-P this year and its Network Rail-attributed delays appear to be regressing towards pre-pandemic levels more quickly than in other regions. Delays attributed to asset failures (track and track circuits) and temporary speed restrictions due to track condition, have contributed to this. We are currently conducting a review of Wales and Western's plans to address recent performance issues and will monitor the region's delivery over the next six months. Eastern, North West and Central, and Network Rail Scotland have retained more of their performance gains (but Network Rail Scotland's performance remains close to the regulatory floor – the level at which we are likely to consider taking formal enforcement action under Network Rail's network licence).

Delays attributed to non-track assets, network management and external events (which include trespass and suicide) increased across all the regions.

Network Rail has set an ambitious goal for 2021-22 of retaining national and regional train performance at the levels seen at the end of 2020-21, and this is already looking very challenging given the changes in network use in the first half of the year. Over the coming months, it needs to maintain its focus on performance and demonstrate that it has taken appropriate action to retain improvements where possible and avoid a return to pre-pandemic performance levels. This is set out in more detail below.

Freight train performance

Freight train performance also improved last year (2020-21), as measured by the Freight Delivery Metric (FDM), with particularly strong performance in the first half of the year. As with passenger train performance, this was primarily due to lower network usage.

In the first half of 2021-22, freight performance has returned to levels similar to those seen in 2019-20. Rail freight has recovered (and is growing) and passenger services are returning, which has impacted freight performance but not to a level that presents concern.

Regional freight train performance trends have been broadly similar to those for passenger performance, with performance declining in most regions. Wales and Western's performance has declined the most quickly this year, but it did start the year as the highest performing region and remains so in absolute terms.

Qualitative assessment of Network Rail's contribution to train performance

For the reasons stated above, we are currently placing more emphasis on a qualitative assessment of Network Rail's contribution to train performance, with a focus on its:

- actions to retain performance improvements seen during the pandemic where possible;
- performance management capability improvements;
- delivery of its performance strategies and underlying performance plans; and
- effective use of the Performance Innovation Fund.

Actions to retain performance improvements seen during the pandemic

The pandemic has given Network Rail a unique opportunity to learn from the changed operating conditions and improved train performance. It has revealed more about the relationship between network use and performance. It has also allowed Network Rail to identify parts of the timetable that do not work, even with lower passenger usage and service levels (such as train dwell times at stations and sectional running times that were being exceeded).

It is important that Network Rail now uses this learning to continue to improve the timetable and to inform decisions about future service levels. While there is potential to deliver some smaller-scale timetable changes in the short term, longer-term engagement is needed to make sure that decisions on future train service specifications are made with a full understanding of the trade-offs between performance and capacity.

Shorter-term timetable improvements

We have seen good, but limited, examples of Network Rail making shorter-term fixes to timetable issues. For instance, on East Midlands route the time allowed in the Uttoxeter area was found to be insufficient for class 158 trains to pass through. The

route worked with North West and Central region to resolve this by 'borrowing' time from nearby Kidsgrove. A permanent fix will be incorporated into the December 2021 timetable change.

Many similar fixes have not yet been implemented due to the knock-on impacts of changing one part of the timetable on other services. Planning teams have also been focused on continued changes to services within the current timetable (such as adding or removing services in light of Covid-related train crew absences) and major timetable rewrites (such as the Midland Main Line in May 2021). These factors have limited Network Rail's scope to make more widespread timetable changes.

Even so, it is important that these issues are resolved in future timetables to deliver better performance. Network Rail is currently working on improvements to its Timetable Planning Rules. Over the coming months we will expect Network Rail to provide an update on this work, explaining how these changes are being implemented through the timetable to deliver better performance. We will continue to monitor progress.

Longer-term and System Operator-led improvements

The pandemic has highlighted the extent to which running a reliable train service is dependent on the underlying robustness of the timetable. Ensuring this robustness depends on having good analytical tools, effective collaboration between Network Rail and stakeholders, and transparency about the trade-offs and assumptions that underpin difficult decisions.

We have seen evidence that the System Operator is continuing to develop its modelling and analysis capability, partly due to the increased investment in these tools funded as part of the PR18 determination. Alongside the necessary expert judgement, this enhanced capability is already being used to support decisions on timetabling.

We have also seen examples of Network Rail engaging more proactively with service specifiers on balancing decisions on capacity and performance, not least as the role of the Industry Timetable Assurance Programme Management Office (PMO) has developed. The growing maturity of these processes was reflected in the review of, and subsequent decision to defer, the implementation of the May 2022 recast of the East Coast Main Line timetable given the scale of the risks that had been identified by the PMO. The work of the Manchester Recovery Task Force was a further good example of collaborative decision-making between the industry and its funders and stakeholders.

We recognise that the time it takes to understand and resolve these issues sometimes means that passengers and freight users have to wait longer to benefit from improved services. This is why longer-term engagement is needed to inform future train service specifications and ensure that they appropriately balance performance and capacity. Because it is not always possible to accommodate the different demands of all stakeholders, it is crucial that decisions are supported by

transparency about the evidence and criteria that have been applied. Network Rail must continue to ensure this transparency, including as future public service contracts are developed, and we will seek evidence that it has done so.

Equally, it is important that lessons are learnt from the East Coast Main Line timetable deferral. The industry must develop and deliver a clear plan for resolving timetabling and access rights on the route. We will continue to push for clear governance arrangements, and transparent and timely decision-making, including through our observer role on the industry's East Coast Main Line Review.

In all these areas Network Rail must demonstrate concerted effort over the long term to retain as much as possible of the train performance improvements seen during the pandemic. But it is also dependent on service specifiers and wider industry collaboration, so we will apply expert judgement as we continue to monitor and report on Network Rail's contribution.

Performance management capability improvements

In our 2020-21 annual assessment, we reported that Network Rail had played a key role in progressing the industry-wide Network Reliability Action Plan (NRAP). It had also led in embedding improved performance management capabilities across its business through its Performance Improvement Management System (PIMS) – a programme of work originally established in response to ORR's 2018 Provisional Order which required improvements to performance management.

During 2021-22, Network Rail has continued to develop and embed PIMS, taking a leading role in producing and sharing a range of materials and processes for the industry to follow to support delivery of improved train performance. Overall progress has been good, but there are variations across regions. Southern region has made greatest progress. Network Rail Scotland and the East Midlands route (in Eastern region) have seen more limited progress in this area.

For PIMS to be embedded and lead to performance improvement, there needs to be sufficient buy-in in the regions and train operating companies. There is variation across regions in the provision of dedicated resource. Train operating company engagement is mixed, with Network Rail regions reporting better engagement where operating companies have agreed resource with funders.

We have seen that Network Rail is engaging with freight operators in order to improve performance, including with respect to PIMS. It is important that this engagement continues, recognising the particular needs of the freight sector.

Delivery of performance strategies and underlying performance improvement plans

Passenger

Network Rail has continued to work collaboratively with train operators to develop updated joint performance strategies for 2021-22, and these are generally of a good standard. They have been subject to peer review to drive continuous improvement. Wessex and Central routes have shown particularly good practice, with well-structured and clear strategies that articulate the approach that those routes are taking. North West route needs to work with Merseyrail to improve the joint strategy and articulate what will be delivered this year. To maximise their benefit, Network Rail and its train operating partners should produce these strategies at the start of the year. But Network Rail has only recently finalised strategies with ScotRail and Arriva Rail London.

Network Rail's regions and / or routes typically use a quarterly process to review progress against performance strategies with train operators. Assurance centres on whether the correct processes are in place and on an analysis of performance trends. There is some variation by region, but there is limited tracking of local performance improvement activity at a regional level. Performance initiative delivery and tracking is generally dispersed across regional and route delivery teams.

We are currently developing a remit for an independent review of how regions and routes are assuring the delivery of their portfolios of bottom-up performance improvement initiatives and how they are assessing whether these are delivering performance benefits. Network Rail is providing information to inform this.

Freight

Network Rail's freight team is focusing on identifying the causes of sustained underperformance, and analysing significant incidents which cause multiple cancellations. One objective is to develop interventions to address locations with particularly poor performance. We look forward to seeing the results of this analysis. We will work with Network Rail to review what more it can do to understand systemic drivers of freight performance, and what proactive steps it can take to protect it.

North West and Central region's response to our performance improvement recommendations

In early 2020, we conducted an investigation into poor train performance in North West and Central, which resulted in 25 recommendations for improvement. A year on, in May 2021, we reported that Network Rail had completed 19 recommendations, but had further work to do to on the remaining six.

We recently concluded a further review of the region's progress against the six outstanding recommendations and we are satisfied that all 25 recommendations are now substantially addressed. The activities and benefits associated with these

recommendations are now subject to our usual business monitoring processes. We are writing to Network Rail separately on this.

Use of the Performance Innovation Fund

In PR18 we established the £40 million Performance Innovation Fund (PIF) designed to support innovative ways to drive performance improvements. In our last annual assessment of Network Rail, we noted that it had delivered greater levels of investment in 2020-21 compared to the previous year, with improved governance and greater emphasis on regional engagement.

In the first half of 2021-22, progress has slowed. Use of the fund this year, and across the control period, is significantly behind plan. £7.6 million of the £40 million fund has been spent in the control period to date. Network Rail attributes this to blockages in the project management process, including the lack of appropriate resource to approve projects, and the challenges of agreeing contracts with third party suppliers (which, although Network Rail leads, relies on the cooperation of others). Network Rail must take immediate action to try to resolve these issues and make sure that it is identifying and delivering innovative performance improvement projects to make effective use of the fund and support longer-term performance improvement.

Establishing performance plans for the remainder of CP6

In England and Wales, Network Rail's regions are currently working to challenging 'holding position' performance trajectories set at 2020-21 outturn levels. In Scotland, Network Rail remains held to account for delivery of targets set in the PR18 final determination. As the operating environment changes, Network Rail needs to continue to review its business plans and establish appropriately challenging but deliverable train performance targets through engagement with industry stakeholders – including operating companies, funders and ORR. These should reflect revised service levels across the network as appropriate.

Over the coming months, we will engage with your team on the process being adopted to set train performance outcomes for 2022-23 and will expect these to demonstrably reflect revised train service levels and latest intelligence about network usage.

Summary

As set out, we have seen a drop-off in train performance as service levels and passenger numbers have recovered during the first half of 2021-22. Wales and Western has seen particular performance challenges in recent months.

Work to embed improved performance management capabilities across the business has continued and overall progress has been good, but there are variations across regions.

Network Rail must retain a strong focus on performance to avoid a return to pre-pandemic performance levels. Over the next six months, we expect Network Rail to:

- deliver improvements to address recent performance issues in its Wales and Western region;
- continue to embed improved performance management capabilities, and resolve issues around identifying and delivering innovative performance improvement projects through a credible plan for the £40 million Performance Innovation Fund;
- work with industry to develop a clear plan for resolving timetabling and access rights on the East Coast Main Line with clear governance and transparent, timely decision making;
- demonstrate that it is engaging on, and influencing, service specifications and the timetable elsewhere on the network to ensure that decisions around performance and capacity are well-informed;
- provide evidence of its work to improve the Timetable Planning Rules, and the extent to which these improvements have been implemented through the timetable to deliver better performance; and
- update its performance plans and targets to reflect revised service levels and usage across the network.

We will monitor Network Rail's progress in these areas, and take action if there is insufficient progress. We will report on progress in our next annual assessment, or earlier where we have specific concerns.

I am placing a copy of this letter on our website.

Yours sincerely

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

John Larkinson
Chief Executive