

Response to ORR's initial consultation on the 2018 periodic review of Network Rail (PR18)

This pro-forma is available to those that wish to use it to respond to our consultation. Other forms of response (e.g. letter format) are equally welcome.

Please send your response to pr18@orr.gsi.gov.uk by **10 August 2016**.

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Chapter 2: Context for the review

We invite stakeholders to comment on whether they agree with our view of the context for PR18 or whether they consider there are additional significant points. (If the latter, please explain how these might affect the review).

We agree with the broad thrust set out in the consultation document re the:

- impact of overall growth in demand on performance
- reclassification of Network Rail
- devolution
- potential changes to the industry structure (following the high-profile reports from Hendy, Bowe and Shaw)
- technological change (HS2 and ERTMS/Digital railway)

These will all have an impact on PR18 decisions.

We believe, however, that there is more scope to reflect the scale of existing investment programmes and the impact of these on operations. We welcome the investment that Government(s) have been putting into rail and it will ultimately lead to improved levels of service and satisfaction for passengers. But it is equally clear that such work comes at a cost.

London Bridge is a case in point – the work will lead to a better railway but while it continues it has undoubtedly reduced the capacity and resilience of the network. Work to electrify the Great Western Main Line, lengthen platforms at Waterloo and to deliver the 'Northern Hub' has created similar issues. So, in terms of overall context, one of the key issues for PR18 to address is the interplay between improving the network at the same time as rebuilding it – a problem magnified as passenger journeys continue to grow.

Such an argument may appear to be more about communication than regulation and outputs. However, we have seen at London Bridge how 'public perception' does have an impact at an operational as well as a political level.

The other contextual point we would make concerns the consumer landscape. There has been a growing awareness of consumer rights. For example: in general consumer law such as the Consumer Protection Regulation and the Consumer Rights Act; in petitions potentially leading to debates in the House of Commons; and an ever increasing desire for transparency and accountability.

We believe that this changing environment does have an impact on rail: what the railway does is increasingly being viewed through this consumer prism. So we believe that passengers' changing relationship with, and trust in, the railway will be an important part of the context surrounding PR18. It will help shape the environment in which PR18 is being delivered and, through this, how its success or failure will be judged.

We will explore below ways in which we believe more consumer engagement can be built into the railway planning process.

Chapter 3: Focusing the review where it can have most impact for passengers and freight customers

We welcome views on the proposed relative priorities for the review, as well as any other areas that should be prioritised (in which case, we would particularly value views on what should not be prioritised as a consequence).

For some time now we have pushed the concept of putting passengers at the heart of the rail industry. We acknowledge, of course, the role of freight but as this is outside our remit we will just focus on passenger services. The railway exists to serve its customers so we feel it is right that it structures itself in a way that best delivers these services to its customers.

Incentives and targets are used to influence behaviour - which makes it all the more important that the correct targets/incentives are chosen in the first place. From our perspective this means focussing incentives on delivering the type of railway that passengers want.

In 2014 we carried out stated preference research that asked passengers to rank a series of station- and train-based criteria in order of their priority for improvement. The table below shows the top ten priorities nationally. It also shows the relative importance of each attribute - the higher the score, the greater priority passengers assign to that service aspect. [NB. The data can be cut in many different ways – see: <http://www.transportfocus.org.uk/research-publications/publications/rail-passengers-priorities-simulator-2014/> for details].

National (top 10 – in order of priority)	Rank	Index Score
Price of train tickets offers better value for money	1	494
Passengers always able to get a seat on the train	2	367
Trains sufficiently frequent at the times I wish to travel	3	264
More trains arrive on time than happens now	4	178
Train company keeps passengers informed about delays	5	163
Less frequent major unplanned disruptions to your journey	6	161
Fewer trains cancelled than happens now	7	136
Accurate and timely information available at stations	8	132
Journey time is reduced	9	105
Free Wi-Fi available on the train	10	97
Sample size 3559		

The priorities are shown as an index averaged on 100. In this case 100 would be the average score should all criteria be ranked equally

The results emphasise the importance of what might be termed the 'core product' - an affordable, dependable service on which you can get a seat. From the index scores in particular we can see that value for money is not only the top priority for improvement but is nearly five times as important as the average priority. While clearly linked with the price of tickets we also know from previous research that this is also influenced heavily by train punctuality and the ability to get a seat. Getting a seat and frequency of service are in the second 'block' of priorities; with delays and disruption featuring strongly in the third main block of priorities.

Transport Focus also conducts the National Rail Passenger Survey (NRPS). We consult over 50,000 passengers a year to produce a network-wide picture of passengers' satisfaction with rail travel. Multivariate analysis reveals that punctuality is the single biggest driver of overall satisfaction while the biggest driver of dissatisfaction is the way that the industry manages delays. In very simplistic terms, this means that the best way to improve overall passenger satisfaction is to get the trains to run on time.

These passenger priorities can be mapped against the high-level outcomes for Network Rail set out in Figure 3.1:

- More efficient
- Better Used
- Safer
- Available
- Reliable

There is a good degree of read across. Passengers' desire for improved performance and frequency matches the 'Better Used' output; the desire for more seats/capacity fits 'Expanded Effectively'; improving the way that delays (both planned and unplanned) are managed fits with 'Available' and 'Reliable'; and there has always been an implicit priority given by passengers to 'Safer'.

This is welcome. The more that Network Rail's outcomes match passengers' aspirations the more likely that they will generate the type of railway that passengers value and want.

However, alongside the 'what will be delivered' we think there is scope to build upon the 'how it will be done'. For instance, and as mentioned earlier, passengers want more capacity/frequency but they want this to be delivered in a way that minimises disruption and unreliability. The most efficient, cost-effective way of carrying out major work may be to shut the railway for a month but this may not match aspirations in terms of availability – people can't put jobs on hold for that period of time.

So while it is important to engage with passengers in terms of what outputs they desire it is also right to look at how they want to be engaged with and consulted on the actual delivery. This is something that we raised as part of the 'Bowe' review. We were pleased that she agreed and concluded that user engagement was of fundamental importance. While acknowledging that passengers views are picked up in the HLOS process she went on to say:

"...there is less evidence that passenger and user views are fed into the planning of how enhancements should be delivered, as distinct from what those enhancements should be. In most cases, the delivery of enhancements involves disruption to existing services, either via short term possessions of the network, longer term closures and diversions or, as at London Bridge during the Thameslink works, extensive modifications to service patterns"

“The failure to engage effectively with users in this planning of delivery has had two impacts. First, it can be seen as contributing to cost escalation, via inefficient planning of possessions and the associated performance payments required to operators through their track access agreements with Network Rail. And second, it may contribute to passenger dissatisfaction on the occasions when things do go wrong.”

Needless to say we agree. We think this creates a very powerful argument for why passengers need to be seen as a customer of Network Rail and why PR18 needs to build in such mechanisms from the outset.

To this end we welcome the reference to giving stakeholders a greater role (paragraph 3.24) but we think that there is merit in going further and making engagement an explicit high level outcome - e.g. in Network Rail finding ways to seek passengers' views and in using these when making decisions. Making engagement an outcome will help to drive behaviours.

There are those who would argue that train companies are the actual customers of Network Rail and that they act as a proxy for passengers. There is clearly some synergy - both parties want a punctual railway and for engineering work to be minimised for instance - but we think it is wrong to argue that a TOC can be a complete proxy for the passenger voice. A TOC's view of its own commercial interest may conflict with the best outcomes for passengers – for example it may be easier for a TOC to provide a rail replacement bus during engineering work while our research shows a clear preference for the more complicated, and possibly more expensive, use of a diversionary route¹.

We believe that there is no substitute for involving those who actually use services in the planning of those services. This view is strengthened by the fact that passengers are funding an ever increasing proportion of the railway - some 65% of the railways annual income is now via the fare box. This begs the question of why the main funder of the railway has no formal relationship with the infrastructure provider. Making engagement an outcome creates a mechanism to address this.

Chapter 4: Our proposed approach to the review

We would like to know if you agree with the overall approach that we have set out for the review.

We would also welcome additional suggestions and proposals for how we might adapt our regulation to the current context. It would be helpful if you could arrange your comments around the headings in the chapter (set out below) where these are relevant to your response.

Route-level regulation

We are conscious that ORR has also invited comments on a working paper exploring this issue in more depth. We will be responding to this separately so will only provide brief comments here.

We agree that route-level regulation could bring improvements for end users. It could help generate a greater focus on local needs and priorities, it could provide useful benchmarking data, and it could open up scrutiny by producing more information at a route rather than a

¹ Rail passengers' experiences and priorities during engineering works. Transport Focus. 2012

national level.

However, to be effective it will be essential that passenger engagement is built in from the start. The best way of focussing on local needs and aspirations is by asking the people using services what they think of the current situation and what they would like to see improved. Ideally this would also involve asking people who do not use rail why this is so. This doesn't have a be 'wish list' – our current work on priorities for improvement uses stated preference techniques to identify the relative importance of individual improvements (i.e. by how much more important is one item over another). Through this investment priorities can be developed.

Having provided a sense of priorities it is hard to see a direct role for passengers in then choosing the exact projects that get selected as part of the control period process. Passenger engagement is best at determining the priorities that the 'experts' then work on. For example, having chosen punctuality as a key requirement it is then hard to ask passengers whether they want scheme A or scheme B.

But once these individual schemes have been chosen there is scope for the route to engage on delivery. For example, each major project ought to include 'passenger plans' for:

- Consultation on delivery. With some schemes there is something tangible for passenger to engage with – stations being the obvious example - while some are much harder (e.g. electrification). Where there is scope for direct engagement the process should encourage/allow it and set out who will be responsible for doing it.
- Disruption. The extent of disruption to services, the consideration of alternatives and how passengers will be informed. The reference point for this is our research on disruption at Reading/Bath in 2010 and 2015² which showed that higher awareness of disruption leads to greater acceptance of the alternatives.

The routes will also need to ensure that there is a good feedback mechanism for passengers/stakeholders. Once again we would caution against any assumption that the TOC can be a proxy for the passenger interest. This would involve:

- Accountability: publishing clear statements on what will be delivered and when and what the targets are. This will give something against which performance can be judged
- Transparency: providing access to information so that people can judge delivery. The route scorecards are a step towards this but we believe that there will be a need to 'translate' some of this information into a passenger-friendly format.

One of the benefits of route-based regulation is that routes can focus on the things that matter most in that area. However, there will need to be some compatibility to ensure that fair comparisons can be made. The same would also apply to passenger engagement. There is value in ensuring that regional engagement fits a national structure which then enables views to be collated into a national picture. This can then be used to inform the High Level Output (HLOS) and the Statement of Funds Available (SoFA) statements.

Making each Network Rail route a more autonomous body means considerably more

² Planned Rail Engineering work – the passenger perspective. Transport Focus. December 2015

stakeholder activity and engagement. This creates a real challenge in terms of resources for stakeholder bodies like ourselves. It will be important that any proposals for decentralisation acknowledge that there are costs outside the immediate industry. We are currently working on proposals to boost passenger engagement in this area.

System operation

As above, we are intending to provide additional comments on ORR's working paper.

While passengers can see the benefit of local decision making they still have a sense of rail being part of a national network³. People will still want to travel across route boundaries – they do not want these to become more difficult/less joined up as a result of decentralisation. So system operation will need to ensure that timetabling and track access still facilitate the longer journey.

Equally, proposals will need to establish a mechanism for dealing with 'strategic vs local' issues. In an ideal world there would be sufficient capacity for local and strategic aspirations to be met but with demand already being high - and forecast to continue growing – there will inevitably be clashes. It will be important that decisions on decentralisation clearly specify a mechanism for dealing with disputes. Where you have, for instance, longer-distance and local services sharing a line there must be absolute clarity on who makes the decisions and who is responsible/accountable.

Similarly there are also times when a global overview or strategy is required. For example, when planning engineering work to ensure that all key routes are not closed at the same time or when planning for significant events such as the 2012 Olympics.

Another example of particular interest to passengers is the provision of information. Our research on delays and disruption⁴ found too many instances of passengers receiving inaccurate or conflicting information. Passengers wanted consistent information irrespective of where they got it and were baffled that staff do not all have the same information. Good industry-wide systems are essential to create a joined-up railway.

It will also be important that cross-industry systems are consistent with the drive towards greater transparency. Joint research with ORR showed that passengers want information (on performance and punctuality in particular) to be in the public domain⁵. Such information is important in generating accountability - the more access that passengers have the more they can hold the operator to account for the service it provides. Key to this is the requirement to release information disaggregated by line of route – the use of company-wide averages masks performance in individual areas.

Outputs & monitoring

Again we are intending to provide more detailed comments as part of ORR's working paper.

³ Passenger views of Northern and TransPennine rail franchises. Transport Focus. December 2012

⁴ Delays and Disruption: Rail passengers have their say. December 2010. Passenger Focus

⁵ Putting rail information in the public domain. May 2011. Passenger Focus

Having set out the need for engagement with passengers as part of a route-based strategy for PR18 it stands to reason that we would want to see outputs and monitoring also being passenger-focused. For us the crucial elements are that the targets reflect passenger priorities and that the measures reflect passenger experiences. To this end we are pleased to see the working paper refer to “improving the measurement of performance delivered to passengers”.

We have argued previously that metrics and monitoring systems need to make sense to passengers and drive behaviours that passengers want to see. They also need to reflect the experiences of passengers. For instance, in 2010 we looked at passengers’ experience of delay and how that corresponded to official PPM figures. The work explored in detail the correlation between passenger satisfaction with punctuality as measured by the NRPS for a three- to four-year period and actual train performance recorded by the train company over the same period. An initial study was conducted on London commuter services with (the then) National Express East Anglia, with three further studies in subsequent years carried out on Northern Rail regional commuter services (into and from Manchester) and on longer-distance journeys with CrossCountry and East Coast. Just recently (in partnership with ORR) we’ve also refreshed the work for Greater Anglia.

The research found that passengers notice/experience delays before the official PPM threshold for delays. On average, passenger satisfaction with punctuality reduces by between two and three percentage points with every minute of delay. This does not match passengers’ own experiences: for instance they might be late arriving at an intermediate station but the train be classed as on time when it arrives at its final destination; or they do not consider a train that is just within its 5- or 10-minute delay threshold as being punctual.

The closer the railway is managed to right-time rather than PPM the closer it will reflect passengers’ perceptions. It also shows that there is a value in focussing on reducing small sub-threshold delays – for instance, reducing lateness on a train from 4 minutes to 2 minutes may not have an impact on PPM scores but it will on satisfaction (i.e. there is a payback/dividend from doing so). In short, passenger-centric targets can generate passenger-centric behaviours

We are pleased that the industry is looking at new measures of performance.

ORR will also be aware that we are advocates of measuring service quality. This was at the core of our submission to the Brown review of franchising. We believe that it is not just a case of ‘what’ the railway does but of ‘how’ it does it. Our strong preference is to base this qualitative measure on what passengers say - the best judge of quality being those who have used the services in question. These are now a feature of franchise agreements but there is scope for more alignment with Network Rail.

We also have a growing body of research on managing delays and disruption. Managing delays is the main driver of passenger satisfaction and the provision of good information is the best way of minimising frustrations arising from delays. Hence, targets that incentivise more communication and engagement around engineering work will potentially lead to happier (or at the least less dissatisfied) passengers.

And finally, making these metrics easily available to passengers generates greater

transparency which in turn helps to breed accountability. Joint research⁶ with ORR established that passengers want more information in the public domain. Even when they admit that they will be unlikely to read it themselves they see the value in it being available as it helps keep the operator on its toes. The more the information can be broken down to individual journey – i.e. the ‘my journey’ concept the more engaged passengers will be.

Charges & incentives

We responded to ORR’s previous consultation on the Schedule 4 and Schedule 8 regimes. We felt that they should move beyond an assessment of their impact on train companies and also include an assessment of their impact on passengers.

In this response we asked whether schedule 4 incentivises the right behaviours. For example, does it incentivise the industry to divert services via alternative routes rather than start from the potentially ‘easier’ option of putting on buses? Are ‘all lines’ closures agreed only after consideration of the full range of options? Does it encourage compliance with T-12 requirements – i.e. putting accurate information into the public domain 12 weeks in advance? People need to know what the railway is doing so they can book theatre/concert/sporting tickets, organise family and other events or even to decide whether to travel or not. If changes are made after T-12, it means some passengers will have made decisions on the basis of what they believe to be accurate information – only to be caught out.

We also addressed Schedule 8 performance incentives. Punctuality underpins passengers’ perception of the railways so the incentive must be one that aims to reduce the volume and impact of delays. Clearly there must be incentives on a TOC and Network Rail to reduce their respective share of delays. However, this must not be at the expense of the overall delay to passengers.

For the sake of completeness we will also mention again our previous conclusions on the importance of passenger-centric measures – the aim being to focus on outcomes for passengers. In performance terms this means a greater focus on right time performance.

Approaches for enhancements

We have touched on enhancements, and the scope for more passenger engagement, as part of our comments on Chapter 3.

Chapter 5: Developing the high-level framework for the review

We welcome views on how our high-level approach could be implemented and on the potential

⁶ Putting rail information in the public domain. Transport Focus and ORR. May 2011

framework set out in chapter 5.

As part of this, we invite thoughts on what it is practicable to achieve in PR18 and in CP6, and what might be more realistic to achieve in the subsequent periodic review.⁷

We would also welcome any further suggestions and ideas on how we might improve how we regulate Network Rail.

Our main point here is to reiterate the importance of making passenger engagement part of the output and monitoring process. As we have set out above we think that making engagement part of the output framework will help to drive the right behaviours while basing measurements around outcomes to passengers will help to drive trust and levels of satisfaction. As also mentioned before, the crucial elements are that the targets reflect passenger priorities and that the measure reflects passenger experiences

More specifically:

- We agree with the broad thrust towards route based regulation. We also welcome the reference in table 5.1 towards more substantial route level customer engagement and for more monitoring at route level. As before, however, we would emphasise the need for this to include passengers – it is not sufficient to just involve train companies.
- We also agree with the conclusion in paragraph 5.26 re the need for routes to have some protection from significant unexpected events – e.g. such as at Dawlish in 2014. Events of this scale can often require a network approach.

Chapter 6: Process and engagement

We would be grateful for comments on the proposed phases of the review, including any views on the [draft timetable](#) and our proposed approach to engagement.

We also invite high-level views on the process for customer engagement by Network Rail's routes and the system operator to inform their business plans, in terms of what is achievable for this review.

We would also welcome any views on how Network Rail and train operators would like to engage and be involved in the implementation process for PR18 and any thoughts on the process relating to Network Rail's right to object to our determination.

We welcome the consultative approach outlined by ORR.

We particularly welcome paragraph 6.20 which sets out how consumers' views will be taken on board, especially in delivery plans for major projects. We would reiterate the importance of this.

We believe that the move to route-based regulation, coupled with the recommendation of the Shaw report, provides an opportunity to create a regional framework of engagement that captures and collates the user voice, uses this to influence decisions and then feeds this back

⁷ You may also wish to read and comment separately on the working papers that we will publish following this consultation document.

to passengers. This requires:

- Research capability: capturing route-based priorities for improvement and passenger satisfaction
- Staff resources: research and analytical capacity; coupled with a stakeholder presence to gather regional intelligence, to feedback results to users and to engage with the delivery of major projects. This feedback-loop with passengers is particularly important.

The route-based reports could be aggregated to create a national overview which could help to inform national decisions (e.g. the High Level Output Statements produced by Governments) and also franchise policy. This process would also fit the 5-year planning cycle for the Strategic Road Network: running both in parallel would generate efficiencies while also giving a sense of strategic regional transport priorities.

We are working up specific proposals designed to deliver this which we would be pleased to discuss with ORR.

Any other points that you would like to make

Thank you for taking the time to respond.