



Consultation on ORR's approach for assessing Network Rail's  
efficiency and wider financial performance in CP6

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1. The Associated Society of Locomotive Engineers and Firemen (ASLEF) is the UK's largest train driver's union representing approximately 20,000 members in train operating companies and freight companies as well as London Underground and light rail systems.
2. ASLEF welcomes this opportunity to comment on how the ORR could improve its approach and to share our views on the proposed changes to financial performance measures for control period 6 (1 April 2019 to 31 March 2024). The ORR plays an important role in assessing the activities Network Rail needs to undertake to efficiently operate, maintain and renew the national rail infrastructure, and what the cost of these activities should be. It is a complex task to determine Network Rail's efficiency and judge whether it delivers its obligations, but ASLEF agrees that the current methods for assessing its efficiency improvements and wider financial performance suffer from a number of limitations and the current indicators don't always tell the whole story about the company's performance.
3. Due to problems with cost, delivery and budget overruns of £3.4 billion, projects that lapsed in CP5 have been deferred into CP6, with a knock-on effect on other projects. Obviously as a union we are concerned that all work required to maintain a safe and reliable network should be completed on time and to the highest possible standard, so it is important that Network Rail and the regulator pick up on any problems as soon as they arise. Improvements to ORR reviews of Network Rail's performance will hopefully assist in addressing this problem and will help to identify possible improvements in value for money which allow for more benefits at a

lower cost. This is particularly important given the current economic pressures on budgets for public spending.

4. ASLEF agrees that there is no perfect measure for reporting on financial performance and efficiency and supports the proposal to move away from only using technically precise measures. Some activities are easy to compare over time but other indicators of financial performance and efficiency can make comparisons from one year to another and between routes very complex. Statistics can easily be misleading when taken out of context: It is possible to reduce delays and improve productivity by ensuring that all materials are ready and available when they are needed but on the other hand, reductions in spending due to delays in work are an indication of a loss of productivity and efficiency. When focusing on numbers it is easy to interpret financial savings as an achievement and lose sight of whether planned outcomes have actually been achieved. Conversely, a rise in expenditure can be perceived as negative but if it has helped to achieve more, even in the long term, the expense will have been worthwhile. Every single measure for assessing and reporting has limitations, whether it be overly simplistic or difficult to understand, and no measure can by itself capture enough comparable data but a combination of different measures could provide a clearer, fuller picture of the link between expenditure and delivery and the extent to which efficiencies are being achieved.
  
5. The ORR is proposing to continue to use the financial performance measure on route scorecards and has suggested that the point-to-point efficiency measure should form part of future reporting. The financial performance measure does not fully capture the benefits of Network Rail's work beyond a like-for-like renewal (e.g. improvement in line speed) or activities that do not have immediate outcomes and benefits (e.g. staff training) so as a single measure it is inadequate but we agree that in conjunction with other measures, the comparative data it can provide is valuable (e.g. overspending against budgets that could put projects at risk). Similarly, the point-to-point efficiency measure is useful for making direct comparisons on a like-for-like basis over time (e.g. expenditure on maintenance and renewals) but unable to reflect changes to expenditure and outputs that don't result from an efficiency improvement (e.g. changes to inflation, variations in the cost of materials, differences in the amount of work undertaken). This means that savings made as a result of failure to complete work could be

interpreted positively even though it would have a detrimental effect on customers. It is ASLEF's view that the only way to address the limitations of these measures is to recognise them, and provide explanations and supplementary data using other measures.

6. The pressures and constraints of congestion, geography, age of infrastructure and other factors make comparisons of performance between operating routes problematic. It is not a case of comparing like-for-like because circumstances and challenges vary nationwide and are constantly changing. Nevertheless, it is important to identify the strengths, weaknesses, achievements and challenges on each route, and sharing ideas and possible solutions could be a valuable way of providing support to route boards. Initiatives that proved a success on one route aren't necessarily always transferable, but in the current context of devolution, it is important that route managers have as much information and guidance as possible. The HLOS for 2019 – 2024 sets out that under the new system, by the start of CP6 each of the nine routes will have its own strategic plan, separate regulatory settlements, and the managing directors will be handed the authority to approve 99% of all work. ASLEF is apprehensive about the experimental nature of this approach to setting standards and developing route-level performance targets. As a union we are fundamentally opposed to the privatisation of rail infrastructure and we have concerns about the government's proposals for devolution and private investment, but we would like as much information, guidance and support as possible to be made available to those involved in the devolution process to ensure that standards are maintained.
7. Network Rail have objected to unit cost analysis because as a measure it fails to take account of external factors that increase costs and are beyond the company's control. The geography and the nature of Network Rail's work from one site to another vary so much that unit cost reporting can't fairly reflect efficiency and performance. While ASLEF agree with the ORR that it should be possible to identify the extent to which changes are due to efficiency, we also believe that any objections from Network Rail should be taken on board and any alternatives they put forward should be carefully considered. Another drawback with unit cost analysis raised by Network Rail is that it can apply pressure to reduce unit costs and thereby incentivise projects that are low-cost but do not work out as good value for money in the longer-term. This

illustrates the importance of using different measures together to build a full understanding before making judgements about cost-efficiencies.

8. Little use has been made of productivity measures in reports to date, but the ORR has suggested looking more closely at the proportion of planned network possessions that are used, and whether the time allocated for track possession is proportionate to the time required to actually carry out work and clear up afterwards. Measuring how productively this time is used would highlight under-utilisation or other issues, which could then be explored with Network Rail's supply chain. Given the pressures on congestion on our railways, ASLEF considers that adding productivity measures to the ORR's assessment would be worthwhile.
9. We agree that looking at value for money is important. Sometimes trying to put a price tag on risks and outcomes is so subjective as to be impossible, but where it is possible, the information can be used to identify which steps to take to address wastage and help Network Rail to become more efficient.
10. Aside from carrying out efficiency and finance assessments, looking at Network Rail's activities that generate income and expenditure, the ORR also monitors Network Rail's performance in respect of safety risk, train performance and asset management. ASLEF agrees that some of information gathered as part of its safety role would be relevant and could be used to build a fuller understanding of Network Rail's overall performance.
11. The union also agrees that forward-looking assessments of likely efficiencies would be useful. One of the main uses of ongoing monitoring and evaluation should be to inform future planning and, where possible, to identify ways of making efficiencies going forward. Any opportunities should be taken advantage of in order to make money go further – particularly since the railways are faced with limited budgets and uncertain funding. This said, these assessments should only be advisory, acknowledging it is impossible to plan accurately for every eventuality and some changes and outcomes (e.g. changes in the cost of electricity or the price of steel) can't be foreseen or planned for.

12. ORR reporting has previously provided little opinion about whether Network Rail is on track to deliver improvements and clearly the company has been over-optimistic, so it is right that going forward, plans and forecasts should be more closely scrutinised – particularly now that much of this work is being devolved to route level. As a union we also believe that transparency is important when it comes to accounting for public money. Network Rail have expressed concerns about the burden that additional reporting requirements will impose on them and ASLEF is mindful that some of the proposed changes could have onerous reporting implications for Network Rail. We would not want to see resources diverted from Network Rail's work to collect pointless and unnecessary information, but if the right checks are not in place to ensure that everything is in place for planned work to go ahead and to clearly track progress, then it should be. If there is a danger of National Rail having to divert time and resources away from its real business and into monitoring and reporting, this would be counterproductive. Therefore, ASLEF's view is that additional funding would need to be allocated for staffing and resource costs required to fulfil additional reporting obligations.
13. As mentioned above, a number of the projects that failed to be delivered in CP5 have been deferred into CP6. The long-term cost of deferring projects has financial implications and failing to meet deadlines puts an already creaking system under strain with implications for passengers, because poor infrastructure affects service quality and reliability. The cost of these delays is difficult to price and difficult to reflect in comparisons of productivity over time. The easy solution to this problem would be to stop deferring work but clearly it is very difficult to forecast what can realistically be achieved over a five-year period when so many financial, environmental and political factors beyond the company's control can come into play. This is why comprehensive ongoing monitoring and evaluation is crucial, to assess performance, pick up on early warning signs of potential problems, and use to inform decision-making about whether to review assumptions and plans that are no longer realistic.
14. Network Rail operates under a network licence that requires it to manage the rail network in a timely, efficient and economical manner. The company's spending plans for CP6 were declared to be 'clear, consistent and well-developed' by the risk and assurance experts contracted by the ORR to look at their maintenance plans, target setting and plans for

renewals. This is reassuring, but the ORR's role in monitoring their performance and reporting whether income and expenditure are in line with the financial assumptions planned for this Control Period is imperative given the delays and budget overruns in CP5.

15. Efficiency and financial performance are not the same and to give a fully comprehensive assessment of Network Rail's efficiency, the ORR needs to be able to report beyond short-term cost reductions. In order to fully capture efficiency and reflect whether resources are used productively and whether they could be used more effectively to achieve outcomes without forfeiting on quality, it is necessary to use a range of different measures. While ASLEF agrees with the use of most of the proposals above, we urge caution with any comparisons being made between routes, each of which have very different conditions and constraints, that could result in unrealistic expectations and pressures. The union is also concerned that time and resources should not be diverted away from Network Rail's core work, so if any additional reporting requirements are placed on National Rail, then additional funding should be allocated to facilitate this.

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