PR18 draft determination consultation: pro forma

This pro forma is available to those that wish to use it to respond to our draft determination consultation, structured around the main areas of the draft determination. Other forms of response (e.g. letter format) are equally welcome, though we would be grateful if these could be structured broadly in line with the areas listed below (where you wish to comment), to aid our review of responses.

Please send your response to pr18@orr.gsi.gov.uk by **31 August 2018**.

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*This information will not be published on our website. Please see Appendix B of our overview document for details on how we will treat information provided to us as part of this consultation.

Our approach to producing Network Rail's determination and to regulating Network Rail in CP6

For further information, please see chapters 2 and 3 of our overview document.

PR18 is an important process because it determines what Network Rail will deliver and the funding available to it over the five-year control period from 1 April 2019 to 2024. There was too much ambiguity in CP5 about where efforts and funding would be focused and which projects were to be delayed or scrapped, which caused lot of problems, so stakeholders in the industry need certainty now about future direction and spending levels in order to make decisions about investing in skills, technologies and innovation for the future. ASLEF is pleased that steps are being taken to clarity what Network Rail is committed to deliver in CP6 and to smooth out the peaks and troughs in expenditure.

Network Rail's transformation plan has raised a lot of questions about which activities and responsibilities are being devolved and what the devolved routes will be responsible for so we welcome the ORR's draft determination, which scrutinises the five-year strategic business plans (SBPs) prepared by the 8 geographical routes, the Freight & National Passenger Operator (FNPO) route and the System Operator (SO). This at least provides clarity to TOCs, FOCs, passengers and the wider industry about the spending plans and reassurance that the spending plans for renewals are realistic and justified.

It is unfortunate that the government has not provided more clarity about its new framework for enhancements because stakeholders also need to know what its long-term objectives and strategic priorities are. ASLEF welcomed the initiative to move enhancements away from 5 year planning cycles, which are too restrictive because some projects span over two or three control periods, but we are concerned about the DfT's lack of transparency in its decision-making about enhancements. This is particularly paradoxical when the argument for devolution is that better and more efficient decisions are made when the stakeholders who really understand the issues are involved in transport and engineering decisions. We question whether the DfT has the specialised capacity to be able to take on assessing the cost efficiency and value for money of proposed enhancements and whether it is right to reduce the ORR's role to monitoring delivery. We also question what the DfT plans to do about enhancement projects if the third-party investment it seeks doesn't materialise.

In terms of renewals, however, the ORR has assessed what Network Rail's routes and SO propose to deliver and has deemed that the strategic plans were acceptable and meet the requirements of the high- level output specifications (HLOSs) of the Secretary of State and the Scottish Ministers. The budget for renewals for CP6 is more than £34bn (£30bn in England and Wales and £4bn in Scotland) and the ORR has agreed that the proposed expenditure set by each of the routes/the SO was appropriate for what they are expected to deliver for their customers, although greater scope was identified for Network Rail to boost reliability and safety. This is reassuring, but ASLEF is still concerned about the distribution of funding across for different routes: The regional disparity in rail infrastructure funding and the long- standing gap between the North and the rest of the UK that has resulted from years of inadequate investment. Transport can act as a key enabler in promoting growth in the economy and generating social benefits but only if the distribution of funding is distributed equitably between the regions.

ASLEF believes that strong planning is central to improving Network Rail's performance. While the ORR will be less prescriptive than in the past, it is essential that Network Rail is transparent in its planning process and that stakeholders are able to see the company learning from past mistakes and using M&E outcomes to inform future plans and activities. PR18 establishes the monitoring and reporting framework for CP6 and sets out how the ORR will oversee this, in compliance with the network licence. Route Managing Directors will be able to authorise 99% of all maintenance and renewals work on their routes but each devolved route / SO will have its own targets and regulatory settlement and the ORR will monitor their financial performance and cost efficiency and.

While ASLEF believes that devolution can bring many benefits, we have voiced concerns about the separate regulatory settlements and route-level performance targets for each route being developed on an ad-hoc basis in preparation for the start of CP6. We have highlighted the need to ensure that route managers are given as much information, guidance and support as possible to ensure that high standards are maintained. Striking the right balance between devolving responsibilities and retaining cohesive national standards where necessary (e.g. security against terrorism and cyber-attacks) is a challenge.

In CP6 Network Rail is expected to engage more with stakeholders so it is disappointing that agreeing key performance targets for new scorecards is proving so challenging to accomplish. The majority of train operators have not yet been able to reach an agreement with Network Rail on train performance trajectories and the ORR and Network Rail have not yet succeeded in agreeing what specific information they should use on scorecards to monitor delivery and financial assessments. ASLEF hopes that the consultations are soon able to establish a satisfactory way forward.

The draft determination sets out some decisions on the charges that train operators should pay for using the network, as well as contractual incentives for them and Network Rail to improve their performance but it important that the ORR finalise decisions around the charges and inform all concerned of the cost of charges as soon as possible. ASLEF campaigns against increases to freight access charges and we call for an affordable cap to be introduced on variable usage charges because higher costs would have a detrimental impact on the rail freight sector and could result in a modal shift from rail to road. Charges that impact on profitability of the rail freight industry could be very damaging so it is important that the ORR stop delaying decisions and provide certainty and stability that stakeholders need.

Our review of Network Rail's network licence

Further information, see paragraphs 3.59-3.63 of our overview document and our supporting document on our review of the Network Rail's network licence. This also contains a set of questions that we would welcome your views on.

Network Rail operates under a network licence which requires it to manage the rail network in a timely, efficient and economical manner, in compliance with conditions set by the ORR, who monitor its performance and hold it to account when there are breaches.

Network Rail's core obligations within the licence relate to securing the operation, maintenance, renewal and enhancement of the network. There are additional requirements around information sharing and stakeholder engagement.

With PR18 the ORR is restructuring the regulations within the network licence to reflect the reclassification of Network Rail as a central government body and to make accountabilities clearer, reflecting the creation of routes and the SO in the company's licence and ensuring the right management team are held to account. The amendments will also accommodate the changes in funding arrangements and the roles of DfT and Transport Scotland.

ASLEF believes that devolution can be important in giving local communities more say over how their transport network functions - so long as it doesn't create further fragmentation within an already overly fragmented system. We have previously raised concerns about the problems that arise with fragmentation within the railways. Indeed, we would rather see a single unified, vertically integrated public system that does not enable money to be taken out of the industry in the form of dividends to shareholders. Nevertheless, we do welcome efforts to make the system transparent and to make it clear where responsibilities lie.

Our review of Network Rail's stakeholder engagement

For further information, please see chapter 4 of our overview document and our related supplementary document on stakeholder engagement.

The ORR has asked that Network Rail routes and the SO engage meaningfully with local customers and stakeholders in order to identify their requirements, and they must use this to inform future activities.

We have already mentioned above ASLEF's concerns about the pitfalls of fragmentation within the railway system and about whether the amount of information, guidance and support available to inexperienced new route managers is adequate for them to successfully set standards and maintain performance when route-level systems are still in development. The SO's advisory board and the route- level supervisory boards will bring together Network Rail routes and customers but it is not yet clear how this collaboration will be assessed.

The ORR is not prescriptive about how this is done, but will monitor and assess the quality of stakeholder engagement. Different approaches have different strengths and weaknesses, but the quality of stakeholder engagement in the routes' strategic business plans will be assessed by considering the scope and methods of engagement, and how information is analysed and interpreted.

Network Rail will use scorecards to facilitate engagement with customers and to assess performance against its strategy. The measures contained in scorecards and the appropriate targets for delivery will be developed and agreed with passenger and freight train operator customers (and Transport Scotland). It is important that all stakeholders are given confidence that they can influence plans and that scorecards will be amended in accordance with M&E outcomes.

The challenge that comes with consulting different stakeholders and attempting to address their needs is that their priorities are likely to be extremely varied, depending on who they are, their activity and their geography, making it unrealistic to expect to be able to satisfy all expectations. For example different stakeholders disagree over which improvements and investments are necessary, how much each stakeholder should contribute, and who should get priority in access and timetabling. In the development of the CP6 SBPs, for example, routes and customers in most cases did not agree performance trajectories.

Irrespective of the challenges, ASLEF welcomes this shift towards more meaningful engagement between Network Rail and a wider range of stakeholders. A lot could be gained from more consideration being given to the views of those who work on and use the transport system; not just passengers but also trade unions and railway workers. For example, recent problems with the May 2018 timetable caused much disruption to passengers, through cancelled and delayed services. Better engagement with trade unions over the development of plans for journey time improvements could have been extremely valuable. In CP6 the SO will be strengthening its timetable planning and reducing the number of errors in the timetable, so its strategic plan will have to take account of lessons learnt from the May timetable failures. ASLEF enjoyed regular meetings with Managing Director Phil Hufton and as a continuation of that, following the structural changes within Network Rail we would welcome quarterly meetings with Andrew Haines, Chief Executive of Network Rail, Andy Thomas, Managing Director of Strategic Operations, and the Route Managing Directors.

Our review of Network Rail's scorecards and requirements

For further information, please see chapter 5 of our overview document and our related supplementary document on scorecards and requirements.

Network Rail is expected to develop route scorecards that support the requirements of PR18 are designed to reflect the range of outcomes that each route and the SO is required to deliver, covering passenger and freight performance; network sustainability; network capability; and network availability. These customer-focused scorecards must be agreed with passenger and freight train operator customers and other stakeholders and must capture requirements specified in the HLOSs and include consideration of health and safety, passenger satisfaction, financial and other appropriate measures. The transport secretary's HLOS for England and Wales focused on high-level outcomes (safe operation of the network, increased volumes of renewals, work with stakeholders to agree performance targets), whereas the Scottish ministers' HLOS was much more detailed (including service performance, journey time improvements, freight growth, a Scottish gauge requirement and a reduction in carbon emissions). The ORR appears satisfied that the scorecards in the strategic business plans (SBPs) are mostly adequate, but the draft determination makes some important points that ASLEF has raised previously elsewhere:

It is important to identify the strengths, weaknesses, achievements and challenges on each route for a range of different purposes. The data collected can be used not only to assess performance and monitor delivery over time but can also be used to provide support to route boards wanting to share best practice, compare ideas and identify possible solutions. Unfortunately, like-for-like comparisons are impossible to make because circumstances and challenges vary nationwide and are constantly changing. The pressures and constraints of congestion, age and condition of infrastructure, nature of rolling stock, line speed, gauge, electrification type, geography, weather, and other factors make direct comparisons of performance between operating routes problematic and unfair. This means that initiatives that prove a success on one route aren't necessarily always transferable, but many can be adapted. Unfortunately, Network Rail's route comparison scorecards are still not satisfactory for showing how different geographic routes are performing against targets and against each other because routes do not all use the same definitions in their measures – which undermines comparability and transparency.

In CP4, Network Rail deferred a significant number of planned renewals, and did again in CP5. These deferrals have a knock-on effect on the sustainability of safety, reliability and value for money on the network over the long-term, which is clearly of great concern to ASLEF. We therefore welcome the ORR's requirement for CP6 that Network Rail should include a network sustainability measure on geographic route scorecards, to assess whether sufficient renewals are being delivered to counter the on-going deterioration of network assets through ageing and wear.

Disruption on the network has a major impact on passengers and freight customers so it is important that Network Rail has effective incentives to minimise the impact of engineering work. In CP5 the ORR set output requirements in relation to passenger and freight disruption, but in CP6 Network Rail will review levels of reactionary delay to assess whether they are adhering to commitments to manage reactionary delay effectively, regardless of cause. In order to compare all routes' contributions to passenger train performance, Network Rail is being asked for a route measure for passenger performance (CRM-P) for Scotland. ASLEF believes it is important to have measures both for delays Network Rail causes to operators that run over its routes, and for delays caused by train operators.

Setting network-wide targets for the FNPO is problematic because it has overall responsibility for the performance of freight customers across the network but does not manage operational assets or control the movement of trains. It is the geographic routes that have responsibility for freight performance within their routes. Freight performance is affected by different factors on different geographic routes so targets that may be realistic in one place will not be achievable elsewhere. Going forward freight performance levels are likely to be put under further pressure by increasing volumes of passenger traffic and related congestion. Unfortunately, many of the FNPO's commitments in CP6 – such as stakeholder engagement, advocacy and resolving issues as they arise - are hard to quantify. Similarly, the SO has responsibility for overseeing the planning and coordination of the rail system and ensuring that controls and processes are in place, and their performance is also difficult to measure. To address this problem and provide greater transparency, in addition to the use of scorecards the ORR has proposed that they publish a combination of action plans, annual stakeholder surveys, governance and reporting frameworks, and annual narrative reports that discuss performance in activities and achievements that do not lend themselves to quantified measurement on scorecard reporting.

When targets are set it is important that they are challenging but also realistic and achievable, and that they take into consideration whether everything reasonably practical has been done and steps have been taken to improve performance. Network Rail is still consulting with stakeholders over measures that should be contained in the scorecards and the appropriate targets for delivery. Unfortunately, to date, the majority of train operators have not been able to reach an agreement with Network Rail on the specific information they should use to monitor how well the routes are performing against their targets, in particular for cost drivers, unit costs, productivity measures and leading indicators of performance. If train operators and Network Rail are unable to address this and reach an agreement they will have to be determined by the ORR, but ASLEF supports the ORR's preference for not intervening because stakeholders should feel more ownership and more invested if they have agreed the scorecards themselves.

Our assessment of health and safety

For further information, please see chapter 6 of our overview document and our related supplementary document on health and safety.

Network Rail has a duty to ensure it can achieve its maintenance, renewals and operational output to support a safe infrastructure and that it complies with legal obligations under health and safety legislation.

Although it now has a devolved structure, Network Rail remains the single duty holder for legal safety obligations, responsible for identifying and implementing controls to eliminate or prevent risks arising from its activities and for ensuring the safety of employees. ASLEF has previously raised concerns about how Network Rail will balance its legal accountability for health and safety issues with a structure that now devolves much of risk management to route level, and we were not surprised that the ORR has raised concerns about asset management, level crossings and depot walkways after its review of health and safety in Network Rail's strategic business plans (SBPs) for PR18.

Effective asset management is key to controlling many of the precursors to catastrophic risk on infrastructure, but Network Rail's SBPs did not include the volumes of renewals that its modelling indicated would be needed to maintain asset condition. When challenged Network Rail said that it had targeted its available funding at those assets prioritised by risk, but acknowledged that it had residual concerns regarding structures and earthworks. The volume of renewals planned were below the level considered necessary to maintain current levels of risk exposure. Similiarly, in some routes overall affordability constraints have led to some major structural interventions being omitted from the CP6 plans. While some safety mitigations are planned, the ORR identified risks of failure and related impacts on safety and performance and voiced concern about the impact of deferrals on future control periods. And on level crossings, Network Rail revised its strategy to reflect that there is currently no additional specific funding for reducing safety risk for CP6. Their revised level crossing strategy removed some of the targets for routes to achieve improvements. ASLEF is pleased that the ORR has asked Network Rail to give more consideration to sustainability and prioritise the renewal of assets where the consequences of failure would be most serious but we are also deeply concerned that Network Rail's original proposals were constrained by affordability.

On issues relating to basic health and safety legal compliance, the FNPO assigned work relating to making depot walkways safe as 'optional' spend and the LNW and Wales routes did not include this work in their core plans on the grounds of affordability. We congratulate the ORR for requesting that schemes relating to level crossings and depot walkways be moved into the 'core' spend and that an extra £1bn of committed expenditure should be put into improving asset sustainability.
For ASLEF safety on the railways and the sustained maintenance and improvement of the railway network paramount. The success of Network Rail's SBP for CP6, and continued safe asset management in subsequent control periods, is dependent on continued monitoring and efficient budgeting, but it is not acceptable that that a 'gap' in funding should constrain necessary safety work.

Our review of Network Rail's proposed costs and income

For further information, please see chapter 7 of our overview document and our related supplementary documents on our review of Network Rail's proposed costs and its other single till income.

Following problems with cost, delivery and budget overruns we have seen projects deferred from one control period to the next, putting 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, but the knock-on financial implications are substantial. Clearly, it is difficult to forecast over a five-year period when so many financial, environmental and political factors beyond the company's control can come into play and unit costs change over time, but in this periodic review, it is crucial that plans for operations, access and costs are efficient and realistic. 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.

Network Rail has performed poorly over recent years in terms of delivering efficiently against its plans and the ORR puts this down to poor preparation at the start of CP5, poor improvement plans, problems with efficiency, and increased pressure on access to the railway to carry out work. The reclassification of Network Rail into the public sector, with the introduction of fixed borrowing limits, meant that plans had to be reviewed in order to stay within the new funding constraints. Following these changes to Network Rail's income and expenditure the ORR highlighted the long-term shortfall in asset sustainability, which – thankfully - was taken on board by both governments and contributed to an increase in funding for asset sustainability.

Moving forward, we are pleased that having assessed Network Rail's forecast costs and income in CP6, the ORR has pronounced the company's asset management planning, cost planning and delivery planning to be efficient and the plans for total expenditure to be affordable in the context of both governments' high level output specifications

(HLOSs) and SoFAs, which set out the funding available for the control period. The ORR considers that the inclusion of bottom-up planning, increased involvement of stakeholders and ongoing comparisons in route-based strategic plans are an improvement compared to the business plans for CP5. Similarly, the volume of maintenance and renewals appears to be within the capability of what can be delivered and the planned support costs (such as human resources, information technology, etc.) are reasonable.

We note, however, that the ORR believes that Network Rail's costs have been overstated by the routes and further long-term efficiency savings are possible, which may be indicative of inefficiency or may be a precautionary measure following past experience of poor performance in delivering overambitious plans. The ORR is confident that greater savings are likely to be realised from the company's ongoing transformation, but this is not reflected in Network Rail's plans because the data available does not yet show these savings. Also the ORR recommend that Network Rail should seek opportunities to smooth out the peaks and troughs in activity and expenditure which create added costs and inefficiencies along the supply chain.

While ASLEF have called longer-term planning for stability and certainty within the railway sector and we would like to see the eradication of inefficiencies that have caused Network Rail's difficulties in the past, we also understand the temptation to err on the side of caution because of the risks associated with deliverability. The current delivery planning processes generally has a limited time horizon because of the uncertainty attached to longer-term planning, and the possible effects of future decisions by governments on enhancements. The efficiency targets that the routes set themselves may not be sufficiently challenging in all areas, but there is an incentive for all parties not to set unduly stretching cost targets. It remains to been seen whether the comparisons between routes do provide them with greater incentive to improve their overall efficiency.

For ASLEF another area of concern is that the ORR flagged pressure on access to the railway to carry out work as a contributing factor to the efficiency problems in CP5 and now, again has questioned whether Network Rail's access plans will appropriately support improvements in renewals efficiency.
The ORR has requested assurances that the proposed work volumes for CP6 can be accommodated and asked for the feasibility of the broad level of access required to be confirmed by discussions with train operators and other stakeholders, but we know that this is a point of contention that has not yet been resolved.

Obviously as a union ASLEF is 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 ORR pick up on any problems as soon as they arise. We hope that the ORR reviews of Network Rail's performance will assist in addressing issues as they arise and keeping Network Rail within budget.

The financial framework for CP6 and affordability

For further information, please see chapter 8 of our overview document and our related supplementary document on the financial framework.

It is reassuring that so far Network Rail's spending plans for CP6 have been declared to be consistent, well-developed and affordable in the context of the governments' high level output specifications (HLOSs) and SoFAs. At the beginning of CP5 Network Rail was a private company limited by guarantee and had full budgetary flexibility. The reclassification of Network Rail into the public sector in 2014, with the introduction of fixed borrowing limits, meant that the company's plans within CP5 had to be reviewed in order to stay within the new funding constraints. Unfortunately, ongoing problems with cost, delivery and budget overruns led to projects being deferred from one control period to the next, with a knock-on effect in terms of financial implications. As a union ASLEF strongly believes that transparency is important when it comes to accounting for public money and it is right that going forward, plans and forecasts should be more closely scrutinised on its spending - particularly given the current economic pressures on budgets. We therefore support improvements to performance reviews in PR18 that will assist Network Rail and the ORR to pick up on any problems and identify possible improvements which allow for more benefits at a lower cost.

Since its reclassification Network Rail is no longer able to borrow money and is no longer able to raise new finance on its own account so the funding available to it is effectively fixed. The company needs appropriate provisions in place to manage the risks it faces, such as inflation, cost shocks and adverse events, such as the storm damage at Dawlish, so in its strategic business plans, Network Rail included a contingency fund which will only be used if risks materialise. Appropriate risk provisions are needed to protect against cost overruns but the ORR decided that in England and Wales (and maybe Scotland) half of the balance held in the centre should be moved to the routes so that route managing directors are involved in the management of financial risk. This means that funding for risks such as those associated with severe weather events will be held at the centre and funding for expenditure level risks such as inflation, will be held at a route level.

Historically renewals spending has seen peaks and troughs and we have been concerned about the extent to which the postponement of planned work in CP5 will affect the resilience of the network so we are pleased that at the funding being made available for maintenance and renewals in CP6. ASLEF has been critical of these peaks and troughs and the lack of information available about long term strategic plans for enhancements on the railways, which has undermined confidence along the supply chain and affected investment in recruitment, skills and technology, so we welcome steps to address this.

In CP5, Network Rail used the retail prices index (RPI) measure of inflation but the ORR's decision is that in CP6, the consumer price index (CPI) should be used instead. The switch from RPI to CPI indexation should have a limited direct impact on Network Rail because expenditure forecasts will increase because of indexation increases; and fixed track access charges and/or annual network grants will take account of lower levels of income from variable track access charges so there would be a relatively higher increase for access charges at the start of CP6 and a relatively lower indexation increase after that. It is ASLEF's view that the choice of inflation index measure is not as important as ensuring that the reality of costs is reflected fairly and funding levels for maintenance, construction and infrastructure projects are maintained. The actual inflation experienced by Network Rail (general inflation plus incremental input price effects) is not necessarily equivalent to either RPI or CPI and the case for using CPIH should be kept under review. A switch to CPI would result in a higher increase for access charges at the start of CP6, but relatively lower indexation increases during CP6, so the end result will be similar.

Charges and contractual incentives in CP6

For further information, please see chapter of 9 of our overview document. We have also published related supplementary documents on: our overall charges and incentives decisions, our proposals on the variable usage charge for CP6 and our proposals on infrastructure cost charges.

In CP5, Network Rail's fixed costs have been met through a mix of direct grant from governments, mark- ups (i.e. charges above costs directly incurred) paid by freight services carrying specific commodities, and fixed charges paid by franchised passenger operators. For CP6 the Secretary of State's SoFA set out Network Rail's income from all sources, with £34.7 billion coming from government grants and the remainder coming from passenger and freight operators' fees and charges and Network Rail's commercial property. As part of PR18 the ORR has sought to simplify the way charges are calculated for operators who pay to access the rail network and charges that recover some of the fixed network infrastucture costs (i.e. those costs that do not vary with use in the short-term) will be collectively known as infrastructure cost charges (ICCs). Network Rail proposes to continue to levy ICCs on freight services carrying electricity supply industry coal, iron ore and spent nuclear fuel. Freight services carrying biomass for the electricity supply industry will also be subject to fixed cost charges (ICC).

It is important to remember that although these charges are a source of income for maintaining the network, charges must be kept to a sustainable and predictable level for train operators.

The variable usage charge (VUC) is a charge designed to recover the operating, maintenance and renewal costs that vary with changes in traffic. The charge is disaggregated, so heavier and/or faster vehicles incur a higher VUC, reflecting the relatively higher levels of damage that they cause. The ORR is consulting on the proposal to phase in a VUC for freight operators. Under the proposed policy, the VUC for freight are set to increase to reflect the full costs of wear-and-tear on the network towards the end of CP7 but the increase in costs will be introduced over a transition period of 10 years, reaching full total cost by the end of CP7.

ASLEF welcomes this cap because at the current time rail freight operators need stability and confidence that the industry will not be detrimentally impacted by increases in charges. Rail freight is cleaner, safer and more efficient than road freight but in spite of the potential for growth, this sector currently faces a lot of uncertainty. ASLEF would like to see the rail freight sector grow but this will be dependent on freight charges being affordable and barriers to growth being removed. Without this, there is a real possibility that more freight could be moved from rail to roads, forcing freight on rail into further decline.

The reclassification of Network Rail means the ORR will make more use of reputational incentives rather than financial penalties. One way of holding Network Rail to account will be using regulatory sanctions at the route and SO-level, which would have the effect of reducing the profit recorded in the relevant business unit (while not reducing the financial resources available to the route/SO). We agree that providing contractual incentives for train operators and Network Rail to improve their performance and use network capacity more efficiently is far preferable to using financial penalties that reduce the resources available to the company.

Comments on our supporting annex to the Scotland summary, the draft settlements for the Freight & National Passenger Operator route and the System Operator (SO), or England & Wales route documents

For further information, please see the Scotland summary, FNPO draft settlement document, and SO draft settlement document. Our other route review documents are here.

The process of route devolution has led to changes in the funding, governance and delivery of rail infrastructure investment. One aspect of Network Rail's ongoing transformation is to open the railways to more third-party investment (e.g. investing in station and car park redevelopment, a third-party electrification scheme, new stretches of line, and digital signalling). The DfT has issued a call for proposals from the private sector, arguing that it will relieve the burden on taxpayers and fare payers but ASLEF is opposed to this model because it paths the way to further fragmentation and privatisation, which leads to inefficiencies and pushes up interface costs. The likelihood is that investors may be interested in some enhancement projects but other less profitable or more complicated projects - such as changes to track layouts or reconstruction of bridges - will continue to require central government funding. Unfortunately, there is no secure funding if third-party investment doesn't materialise, and there is therefore a risk that rail infrastructure won't receive the investment it needs for enhancements.

Although we have raised concerns above, there are aspects of devolution that have been positive. The Scotland route has been devolved for a number of years but more devolution across the whole network has meant that there is a much more detailed route plan in Scotland, clarifying what the Scotland route is responsible for delivering and the role of the SO and FNPO are clearer.

ASLEF has previously raised concerns about how the devolved structure of Network Rail will impact on the freight sector so we welcome the commitments in the FNPO's plan to support freight growth, increase average freight train speed and develop strategic freight corridors to boost performance.

ASLEF's reservations about devolution are based on the unworkable complexities that arise when different operators are competing on the same route. The FNPO is not responsible for managing any operational assets, nor does it control the movement of trains. It represents a number of groups that operate across geographic routes and works with the geographic routes and SO to encourage growth in rail freight, support improved performance by removing bottlenecks and improving journey times and reliability. In a situation where many stakeholders are involved, it is challenging to reach a consensus over who should get priority in access and timetabling, particularly when all are accountable to different shareholders. Our concern is that passenger services, which are more profitable than freight services, will be given priority access to paths.

The SO's role is to maintain the benefits of having an integrated national network with a focus on system planning and timetabling which means managing a busy network, accommodating new services and integrating enhancements projects. In its strategic plan the SO sought an increased budget in order to invest in technology for more automated timetable processes and to work on more accurate and resilient timetables and journey time improvements. The late finalisation of the May 2018 timetable and consequent disruption to passengers through cancelled and delayed services illustrates the need for this. Vast amounts of funding have already been invested in the digital railway programme and unfortunately implementing this technology on our Victorian railway structure is proving to be an ongoing challenge. There have been delays to the introduction of this technology across much of the country and much more investment will be needed. ASLEF considers that this technology will be vital for the future of our railways but as it is gradually introduced it is crucial that the SO work with all stakeholders, including trade unions, and remember that all railway staff must receive adequate training to prepare them for the changes it will entail.

Any other points that you would like to make

Thank you for taking the time to respond.