



**Dan Brown**  
Director, Railway Markets and Economics

16 January 2020

Dear Stakeholders,

## **Review of Train Performance Incentives**

The purpose of this letter is to invite your input to a review of train performance incentives, which ORR is about to begin.

ORR's review of train performance incentives will examine the range of mechanisms which influence behaviours and decisions that affect train punctuality and reliability. Such mechanisms include those which are under ORR's direct control and influence, such as monitoring and reporting on performance (including against Network Rail's 'scorecards'), potential licence enforcement action, and Schedules 4 and 8 of track access contracts. Other mechanisms, outside ORR's direct control, include terms in passenger operators' agreements with franchise bodies, commercial incentives (for organisations in the private sector) to operate reliable and punctual services, as well as industry staff's intrinsic motivations to contribute to a high-performing railway.

ORR's review aims to understand how the full set of incentive mechanisms influences train performance outcomes for Network Rail and train operators. We will assess how effective mechanisms are individually and collectively, and generate evidence on how features of the current market structure and existing incentive mechanisms encourage or inhibit improvements in train performance.

Through this review, we will consider the case for regulatory changes in this area, focusing on mechanisms under ORR's control. We propose to publish a consultation later in 2020, which will set out any areas we believe require reform, as well as planned timeframes.

### **Why are we carrying out a review of performance incentives?**

Punctuality and reliability are high priorities for users of the railway network, whether they are train passengers or freight customers. But, in recent years, performance on Network Rail's infrastructure has fallen below expectations. Performance is a major focus of the Williams Review of the rail industry<sup>1</sup>, and the evidence we gather will help us to respond effectively to outcomes of that Review, including any potential structural changes to the industry. Our review will be one contribution to a wider ORR programme on the future rail industry regulatory framework, and sits alongside a project gathering evidence on the effectiveness of the wider incentive and regulatory framework. We will try to minimise any potential duplication or burden from the overarching programme.

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<sup>1</sup> [The Williams Review](#) has cited reliability and punctuality as part of the 'core passenger offer' – part of passengers' fundamental needs from the railway.

Performance has also been a recent priority for discussion at the Rail Delivery Group, where some members have suggested that incentives have become mis-aligned, and that some aspects of Schedule 8 may inhibit efforts by train operators and Network Rail to improve performance. The RDG board has recently taken a paper on the subject and we will be having further discussions with the industry through such groups.

This review is proceeding in parallel with a Delay Attribution Review, through which ORR and industry parties are seeking to improve the way delay incidents are attributed to Network Rail and train operators. This work is being taken forward in partnership with the Rail Delivery Group.

### **What form will the review take?**

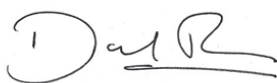
As we begin our review, we are keen to receive evidence from stakeholders. To this end, we have selected Systra, the transport consultancy, to carry out some research on our behalf. This work will comprise: (a) a detailed stock-take of existing mechanisms and (b) interviews and quantitative research with decision-makers from across the industry. This research will engage with railway personnel at front-line and manager/executive levels, from organisations across the industry, to find out how decisions are made that affect performance. They will seek to establish what influences decisions in a number of real-life scenarios on the railway. Systra will carry out this work in the coming months, before reporting back to us in the Spring. As set out below, we will also hold a stakeholder workshop and accept written responses to this letter.

As noted above, following this consultancy research, and having considered how the report's findings affect our view of incentive mechanisms, we propose to publish a consultation later in 2020.

### **Inputting to the project**

We encourage you to accept any invitation from Systra to take part in an interview or survey, and in this way participate in the early stage of our review. In addition, we plan to hold an industry workshop where we invite your participation. This will be a chance for a discussion that we will use to identify and understand what you see as the main issues in this area. We will provide more details of this event, including date and agenda, when available. Alternatively, if you would like to submit a written response to this letter, please send to Will Holman at [will.holman@orr.gov.uk](mailto:will.holman@orr.gov.uk). For our policy on publication see Annex 1.

Yours faithfully,



**Dan Brown**

## Annex 1 – Our policy on publication

### Publishing your response

We plan to publish all formal responses to this letter on our website. This may include your personal data such as your name and job title.

Should you wish any information that you provide, including personal data, to be treated as confidential, please be aware that this may be subject to publication, or release to other parties or to disclosure, in accordance with the access to information regimes. These regimes are primarily the Freedom of Information Act 2000 (FOIA), the General Data Protection Regulation (GDPR,) the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004.

Under the FOIA, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, if you are seeking confidentiality for information you are providing, please explain why. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on ORR.

If you are seeking to make a response in confidence, we would also be grateful if you would annex any confidential information, or provide a non-confidential summary, so that we can publish the non-confidential aspects of your response.

Any personal data you provide to us will be used for the purposes of this project and will be handled in accordance with our [privacy notice](#) which sets out how we comply with the General Data Protection Regulation and Data Protection Act 2018.

### Consent

In responding to this letter you consent to us:

- handling your personal data for the purposes of this project;
- publishing your response on our website (unless you have indicated to us that you wish for your response to be treated as confidential as set out above).

Your consent to either of the above can be withdrawn at any time. Further information about how we handle your personal data and your rights is set out in our [privacy notice](#).

### Format of responses

So that we are able to apply web standards to content on our website, we would prefer that you email us your response either in Microsoft Word format or OpenDocument Text (.odt) format. ODT files have a fully open format and do not rely on any specific piece of software.

If you send us a PDF document, please:

- create it directly from an electronic word-processed file using PDF creation software (rather than as a scanned image of a printout); and
- ensure that the PDF's security method is set to no security in the document properties.