

Q2 Quarterly Report 2014/15

Delivering a better railway for a better Britain

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Welcome to our first quarterly report for 2014/15. This is the first report for Control Period 5 (2014-19), and is intended to provide clear information on how we are doing against our key targets.

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Introduction



Mark Carne
Chief executive, Network Rail

At Network Rail, we recognise that our performance really matters.

When we set out our plans for Control Period 5, we committed to delivering a better railway for a better Britain. A 'better railway' means a safer, more reliable railway, with greater capacity and efficiency. 'A better Britain' means a thriving, sustainable, low-carbon economy with better connections between people and jobs.

This is an ambitious plan. It is one that commits us to deliver a better railway and better value to funders and customers in Control Period 5, whilst transforming ourself so we can deliver a longer-term vision for the company and the railway to generate outstanding value for taxpayers and customers.

Our key priorities are safety, reliability, capacity and cost. To monitor performance against these priorities we produce our corporate scorecard on a periodic basis. The scorecard provides historical performance information and our latest estimate of how we think we will do by the end of the year, based on current plans.

It is intended that these quarterly reports, that take a quarterly snapshot of our corporate scorecard, provide transparent and accessible information with focus on the quality of the data.

From these reports you will be able to judge how successful we are and better understand the challenges we face. We are always willing to be held to account, and we hope this is a further step towards improving that accountability. Our intention in introducing these quarterly reports is to provide timely, concise and easily interpretable information on the most important measures.

Introduction (continued)

At quarter 2 (September) our performance is not where it needs to be against some of our key metrics. From the scorecard it is immediately apparent that the three areas where we need particular focus are around train performance, financial performance and asset renewals.

Safety performance

In terms of our workforce safety, we have had one tragic road traffic fatality this year and we are also lagging slightly behind our lost time injury frequency rate target. Road traffic accidents are a major contributor to our workforce risk profile. We have strengthened our lifesaving rules around the use of mobile phones and disciplinary consequences for the failure to wear seatbelts or to adhere to speed limits. We are also addressing our workforce safety performance through key initiatives such as Planning & Delivering Safe Work, Business Critical Rules and Safety Culture Change.

The number of Close Calls reported has been well in excess of the target, though our record in closing these cases must still improve. We have recently launched 'Your Call', to promote Close Call reporting from our staff and contractors encouraging them to take action to close out Close Calls within 28 days.

On level crossing safety, we set a tough stretch target, over and above the regulatory target. We are currently forecasting to be slightly ahead of that stretch figure by year end and as a result we expect to meet our year one target of a 10 per cent reduction in level crossing risk.

Our train accident precursor indicator model is currently on target and we are still recorded as the safest railway in Europe.

Reliability

At the end of quarter 2, the year to date Freight Delivery Metric is 95.3 per cent. This is significantly higher than target, driven by the implementation of a range of initiatives over the past 6-12 months. We forecast that we will outperform our target further by year end.

Passenger train punctuality is not where it needs to be. Our public performance measure metric has been tracking below target on a periodic basis; our current forecasts show that we will miss our year-end target of 91.1 per cent by 1.0 per cent. We have developed plans to improve train performance, but the reality is that the improvements are not coming through fast enough and overall train punctuality continues to slip below plan. Correcting this is essential for the passengers who depend on our services.

We know we need immediate action so we are focusing sustained effort on five performance activities:

- temporary speed restrictions – a plan to reduce the number of temporary speed restrictions on the network
- increase asset reliability – better use of technology (remote monitoring), better use of data (ORBIS); improve suicide prevention and reduce level crossing risk
- improve resilience – proper vegetation management; improve drainage; collaborate with Environment Agency
- develop better timetables – work with the train and freight operators and DfT partners to create timetables that manage the congestion driven by growth
- reduce secondary delays – using technology such as traffic management/ European Rail Traffic Management System.

We are also focused on the cancellations and significant lateness metric which is slightly less than target at Period 6.

“You will be able to judge how successful we are and understand the challenges we face.”

“The three areas where we need particular focus are around train performance, financial performance and renewals.”

Introduction (continued)

Capacity

As passengers can attest, rail congestion is now a major source of dissatisfaction. The context, that passenger numbers have more than doubled in less than 20 years and we are the fastest growing rail network in Europe, is helpful but doesn't relieve us of our responsibility to provide more capacity and increased reliability (Office of Rail Regulation (ORR) figures show growth of 4.3 per cent in the last year alone). This capacity challenge means that even a minor incident or mishap can cause huge tailbacks that spread across the network, long after the initial problem has been fixed. We are working through the National Task Force to better understand how the industry can work together to minimise the impact of this kind of reactionary delay.

In Control Period 5 we have committed to deliver more than £25bn of renewals and enhancement projects to meet demand. This control period, each enhancement project has two mandated regulatory milestones: GRIP 3 to GRIP 6 completion. These are publically published in the Enhancements Delivery Plan and are subject to a change control process with the ORR.

In the year to date, we have successfully delivered 21 of the 28 regulatory milestones. In addition, a further four regulated milestones from our June Delivery Plan have been approved for

change control by the ORR and were re-baselined in the September update to the CP5 Enhancements Delivery Plan.

Although we have therefore achieved 75 per cent of the milestones, we consider that this level of performance is not satisfactory and so we have increased our level of review with each of the regional delivery units and asked them to develop plans to improve the performance. We are also reviewing all clienting guidelines.

We have had some delays in getting our programme of asset renewals up to full speed. As a result, the volume of asset renewals delivered is lower than we expected. As this is a long-term measure, we have time to recover and work hard to make sure our forward plans are more robust.

Cost

Financial performance for the year to date is £12m adverse to budget and forecast to be £110m adverse for the full year. This is largely due to Schedule 8 costs that reflect worse than expected train performance and investing in new initiatives to deliver performance improvement in the future, Business Critical Rules, 'Tidy Railway' and Planning and Delivering Safe Work.

The above overspends have been slightly offset by the release of the 2013/14 bonus provision following a board decision to reduce the payout.

The future

We recognise that we must deliver what we have said we will deliver and our focus is on transforming current performance to deliver the railway our customers require. It is only if we do this that we can focus our attention on the future of the railway, one which will be increasingly digital. This will involve the whole industry and if we are to succeed, how we work with all our stakeholders will be crucial. Success will come through effective collaboration, a focus on our customers, a willingness to challenge ourselves and to be held to account.

We have an exciting vision for the future, and we are working hard to deliver our plans to improve current performance levels and meet the demand for an improved railway in the longer term.

A better railway for a better Britain.



Mark Carne

Chief executive, Network Rail

Chief executive's report – dashboard quarter 2



Area	Performance measure	Full year forecast			
Safety		Current	Worse than target	Target	Better than target
Workforce safety	Lost time injury frequency rate (LTIFR)	0.559	0.515	0.500	0.486 0.458
Workforce safety	Workforce Close Calls (*Actual)	3,800*	35,000	40,000	40,000
	YTD Close Calls closed within 28 days (%)	43%	43%	50%	
Passenger safety	Train accident precursor indicator model	2.264	2.206	2.158	2.110
Level crossing risk reduction	Level crossing risk indicator model	12.946	11.99	11.36	11.11 10.73
*Currently close out only calculated for NR Close Calls					
Train performance		Current period MAA	Worse than target	Target	Better than target
Public performance measure	National	89.5%	90.1%	91.1%	91.6%
Freight	Freight delivery metric (FDM)	93.4%	92.0%	92.5%	94.6% 95.0%

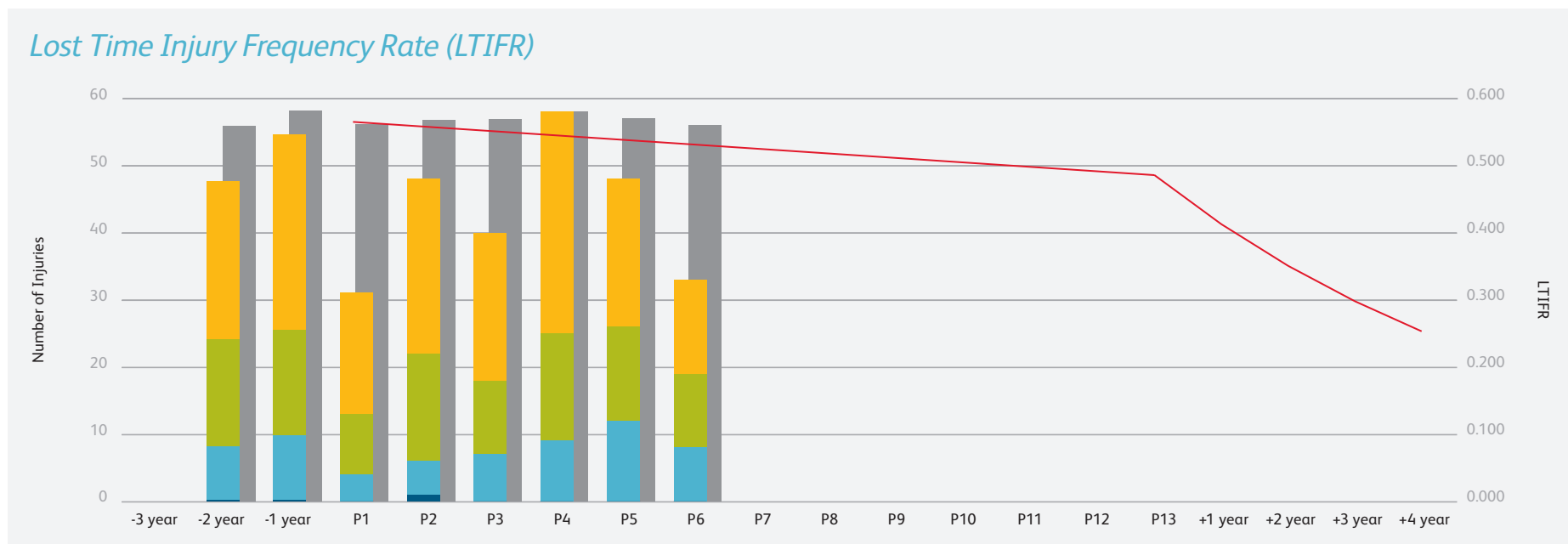
Chief executive's report – dashboard quarter 2 (continued)



Area	Performance measure	Full year forecast				
Financial performance		Current year to date	Worse than target		Target	Better than target
Financial performance measure	Financial performance measure	<div>-12</div>	-£157m	<div>-110</div>	0	+£157m
Investment		Current year to date	Worse than target		Target	Better than target
Top 10 Infrastructure Projects renewals and enhancement milestones	Key milestones of top 10 renewals and enhancement projects	<div>4</div>	6		<div>8</div>	10
All Delivery Plan Enhancement milestones (%)	Interim and completion milestones of all enhancement projects	<div>75%</div>	60%	<div>71%</div>	80%	100%
Asset management		Current period MAA	Worse than target		Target	Better than target
Composite reliability index (CRI)	Total	<div>2.4%</div>	0.87%	<div>2.88%</div>	5.71%	10.26%
Renewals (seven key volumes)	Volumes (period and YTD actual not MMA)	<div>X</div>	<div>✓</div>	✓✓✓	✓✓✓✓✓	✓✓✓✓✓ ✓✓
Satisfaction		Current period MAA	Worse than target		Target	Better than target
Customer	Survey results	<div>N/A</div>	3.15		<div>3.32</div>	3.49
Passenger	Survey results	<div>81.7%</div>	81.0%	<div>82.5%</div>	83.3%	86.0%

How we are doing

Key measures



Why this matters

Lost Time Injury Frequency Rate measures the amount of time lost due to fatality and injury. This includes both our staff and our contractors. Safety is a core value and this measure allows us to see how we are performing against our vision of ensuring that everyone gets home safe, every day.

How are we doing?

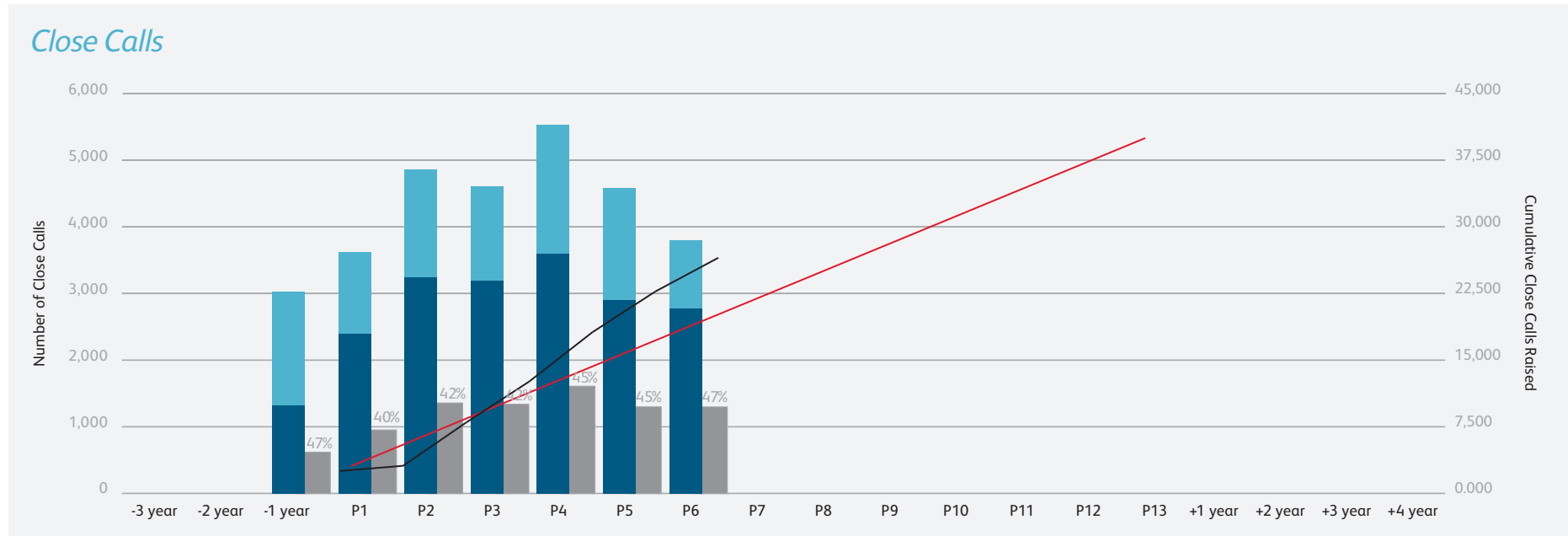
LTIFR has remained largely constant throughout the first half of the financial year and is currently outside the target set. Regrettably, in the first six periods of this year, we have had 1,354 incidents including one fatality.

What are our plans?

We are seeking to reduce the LTIFR through a number of initiatives including the Planning & Delivering Safe Work Programme, the Business Critical Rules Programme and the Safety Culture Change Programme. We have also recently refreshed our Lifesaving Rules and are continuing to work to embed our Fair Culture investigation principles.

- Fatalities
- RIDDOR specified injuries
- 7+ Day RIDDOR minor injuries
- Non-RIDDOR reportable lost time injuries
- Actual LTIFR (RH axis)
- LTIFR target (RH axis)

Key measures (continued)



Why this matters

A Close Call is defined as anything that has the potential to cause harm or damage. This includes: harm to a person, harm to the environment and/or protected species, or damage to railway infrastructure, plant, vehicles, tools and equipment. Reporting Close Calls helps to identify patterns for potential accidents, which will help reduce the risk of serious events and injuries.

How are we doing?

The number of Close Calls reported for the year to date (Period 6 – mid September) was 27,028. If this level of reporting continues the target set will be achieved. By the end of Period 6, 43 per cent of Close Calls reported (excluding those reported by Infrastructure Project's

contractors) this year to date had been closed within 28 days which is outside the target set. A significant improvement to the Close Call close-out rate needs to be achieved throughout the remainder of the year to achieve the year-end target.

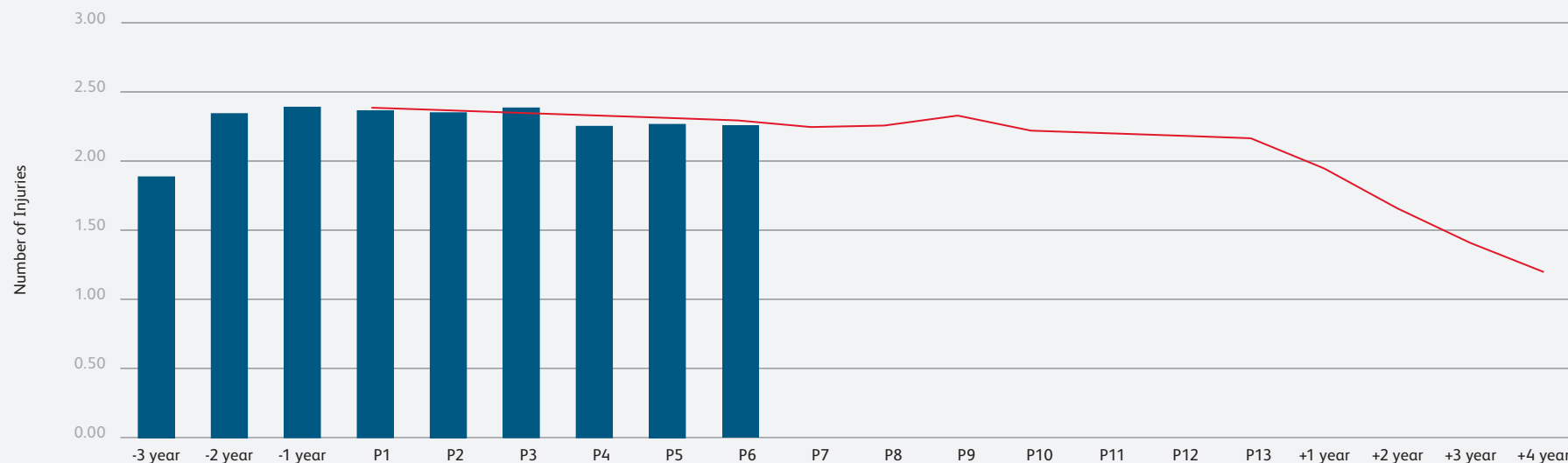
What are our plans?

A communications campaign (Your Call) has recently been launched to promote Close Call reporting across the company and our contractors encouraging action to be taken to close out Close Calls within 28 days.

- Close Calls raised (Infrastructure Projects)
- Close Calls (non-Infrastructure Projects)
- Close Calls closed within 28 days (currently does not include IP)
- Cumulative Close Calls raised target (IP & Non-IP)
- Cumulative Close Calls raised actual (IP & Non-IP)

Key measures (continued)

Train Accident Precursor Indicator Model – passenger



Why this matters

The industry Precursor Indicator Model (PIM) is used to measure the underlying level of risk from train accidents. Examples of precursors include broken rails, animals on the line and signals passed at danger. We have set a challenging internal target of reducing the passenger component of train accident risk by 50 per cent by the end of the control period and a 10 per cent reduction during 2014/15.

How are we doing?

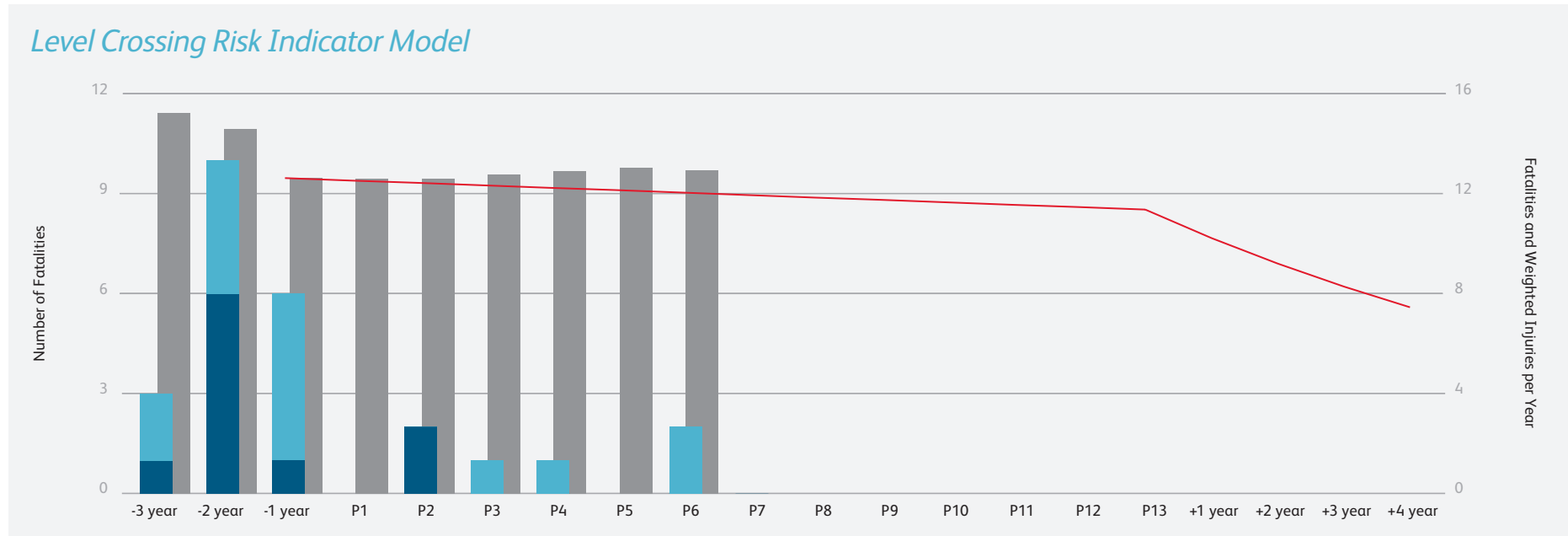
We have achieved a five per cent reduction in train accident risk over the past year. The decrease in train accident risk this year is largely due to a reduction in risk associated with switch and crossing faults and buckled rails.

What are our plans?

Over 50 initiatives/activities have been identified that will contribute to train accident risk reduction in Control Period 5.

■ Passenger indicator model
— Target

Key measures (continued)



Why this matters

The level crossing risk metric provides an indexed measure of the current level of risk recorded at our level crossings, nationally and by route, allowing us to monitor progress against the targets set in CP5. It is worth noting that because of traffic growth (road, rail and pedestrian), the level of this risk would naturally increase over time unless we take action. We must do more to reduce the risk posed through poor design or through maintenance or operational failings. The ORR has provided funding to reduce this risk by 25 per cent over the control period – however, we want to go further and we have set ourselves a more challenging target of achieving this 25 per cent reduction in the first three years of the control period.

How are we doing?

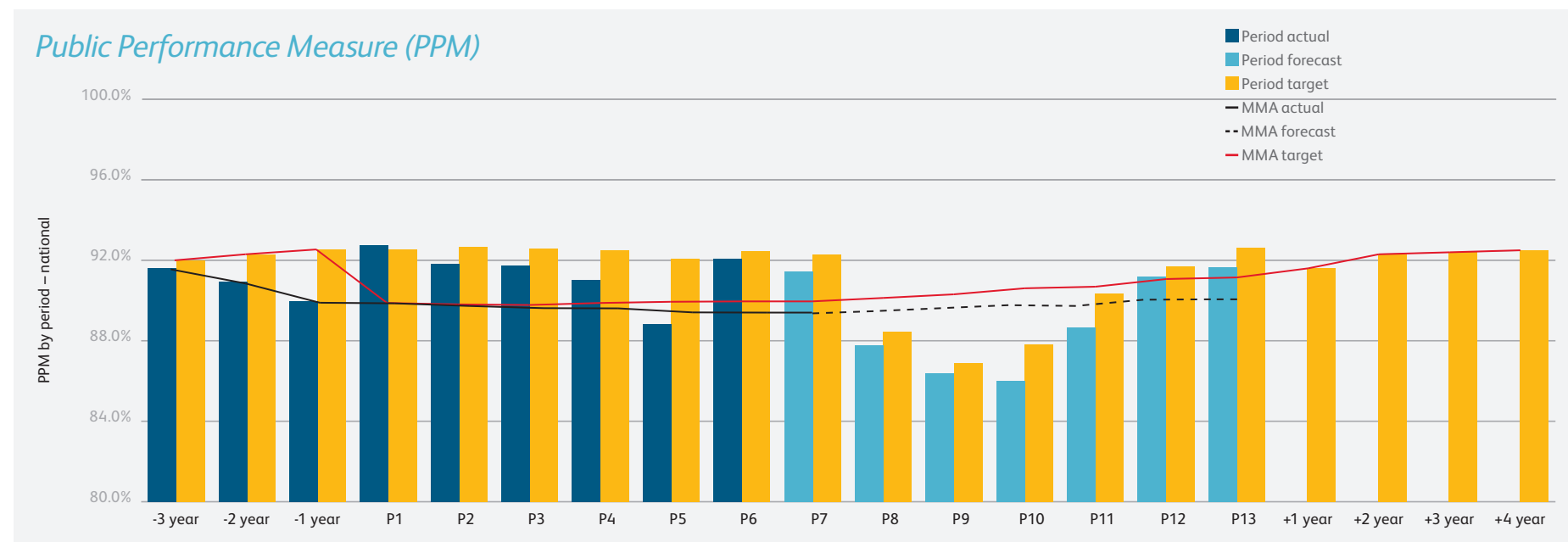
In the first six periods we've closed 81 level crossings with an additional six crossings given downgraded status. We are currently forecasting to be ahead of our year-end target for Level Crossing Risk.

What are our plans?

A series of risk reduction plans have been developed for level crossings. These include a continued programme of level crossing closures, further improvements to risk management, strategies to address legacy issues at passive crossings, installing enhanced protection/warning at crossings, public and authorised user education, and installing fixed red light enforcement equipment. Through these initiatives, we expect to meet our year 1 target of a 10 per cent reduction in level crossing risk.

- LX fatalities (vehicle users) – LH axis
- LX fatalities (pedestrians) – LH axis
- Actual LCRIM – RH axis
- Target LCRIM – RH axis

Key measures (continued)



Why this matters

The public performance measure (PPM) measures the percentage of passenger trains arriving on time. For Long Distance, PPM is calculated within 10 minutes of the arrival time at the final destination while for Regional and London & South East, PPM is calculated within five minutes.

How are we doing?

Whilst we have developed plans to improve train performance, the reality is that the improvements are not coming through fast enough and overall train punctuality continues to slip below the plan. We are now forecasting to miss the year-end target of 91.1 per cent by 1.0 per cent.

What are our plans?

There are five key areas we are focusing on to improve PPM:

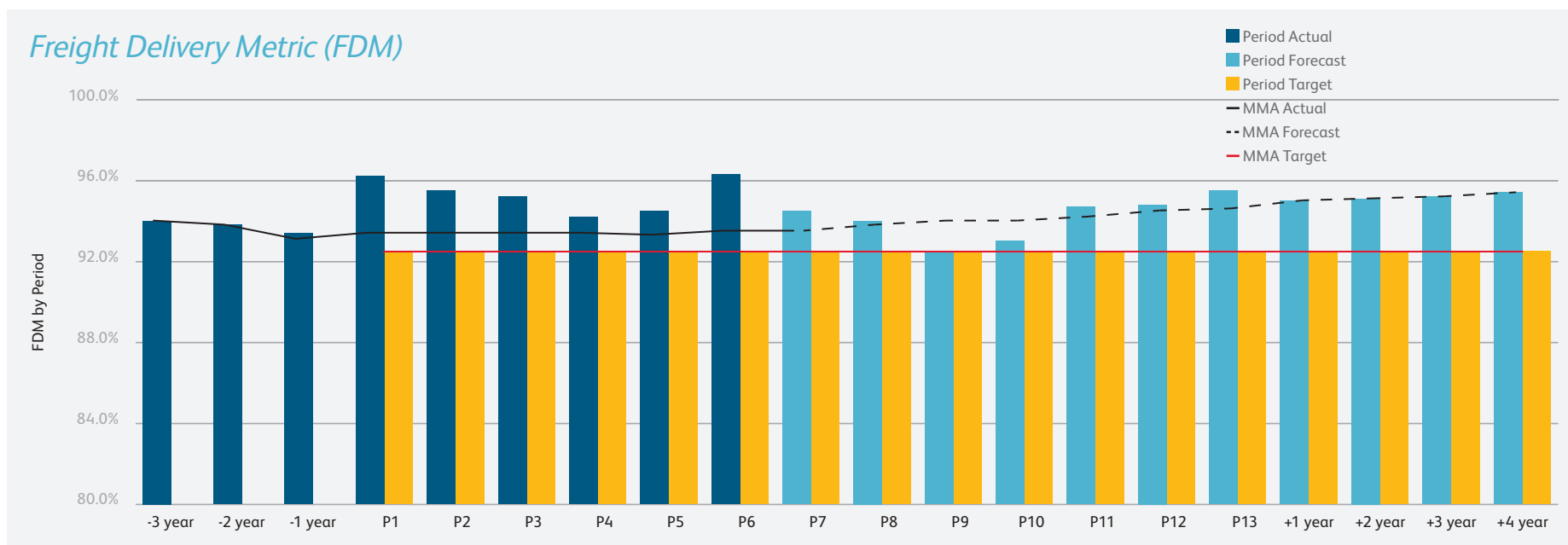
1. We need to remove many of the temporary speed restrictions on the network. We impose a TSR where the asset condition has fallen below a level which is reasonably safe to run services at normal line speed. Our aim is to reduce from the current number of 366 to below 200 by the end of 2014/15.
2. Improve reliability – asset management – this is a focus on reviewing and resolving our maintenance backlog, implementing risk based maintenance and strengthening the route asset reliability plans.
3. Improve resilience – we must get better at preparing our network for autumn and winter. The second half of the year

remains the biggest opportunity to improve PPM. In the autumn a renewed and improved vegetation management programme is being undertaken across the network.

4. Better timetables – our Performance Planning Reform Programme will concentrate on improving the timetabling of trains and enabling traffic management, which helps us run trains more effectively by predicting and managing train paths more proactively.

5. Reduce secondary delays – traffic management will replace traditional railway signalling with a computer display inside every train cab. The system will see trains run at a safe speed, allowing more trains on to the tracks, improving performance and reducing energy consumption.

Key measures (continued)



Why this matters

The Freight Delivery Metric (FDM) provides a measure of the percentage of freight trains that have successfully arrived at destination within specified criteria. The ORR has set us a target to maintain performance at 92.5 per cent moving annual average throughout CP5. The criteria of a failed train is one that is at least 15 minutes late at destination and, if the service is late, it has received 15 or more minutes of delay caused by Network Rail or non commercial freight operator. Some cancellation and other service disruption incidents also count as FDM failures.

How are we doing?

At Period 6, the year to date freight delivery metric is 95.3 per cent. This is significantly higher than target driven by the implementation of a range of initiatives over the past

6-12 months. These include creating the position of Freight Service Delivery Manager, based in the National Operations Centre, focusing on real-time freight performance and incident recovery, removal of a number of temporary speed restrictions and installing traction gel applicators at a range of adhesion hot spots at the route level.

What are our plans?

During the first six periods of CP5, we have achieved our FDM regulatory target. However, these have been in the periods when performance is expected to be good, based on recent years' experience. Our challenge is to improve our delivery during autumn and winter when performance can be badly affected by weather and leaf fall. Our plans to manage this include:

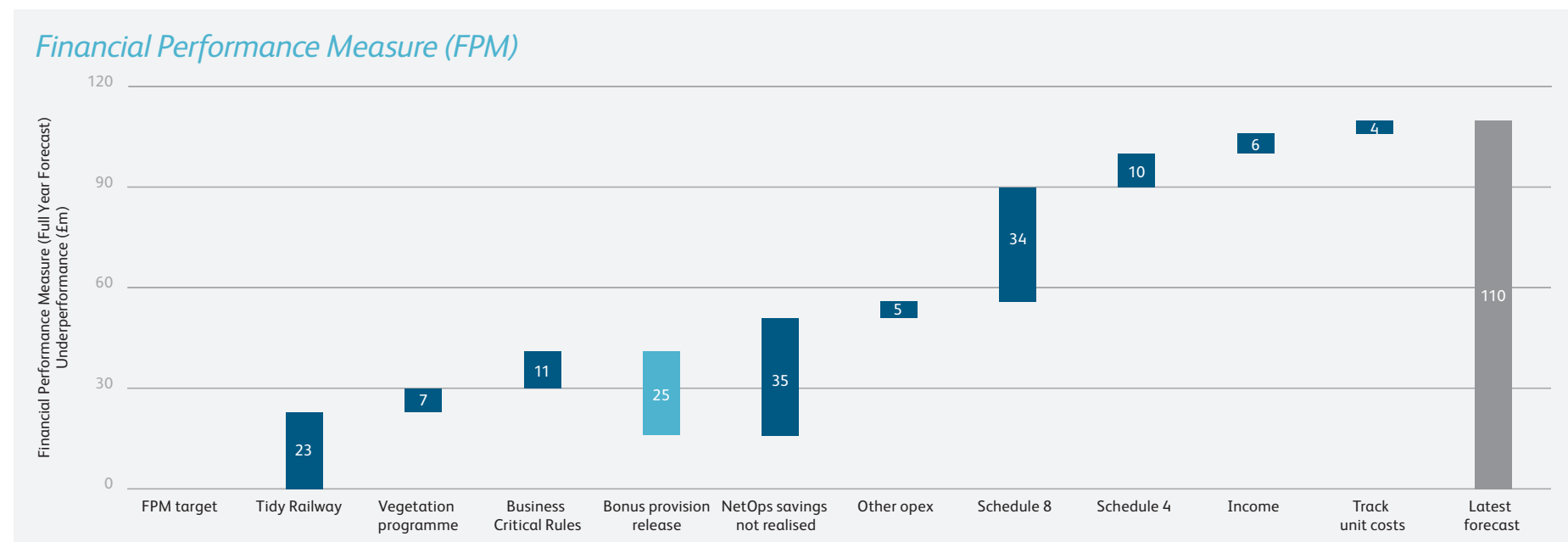
- working with freight operators to continue to identify high risk sites for trains slipping to a stand as well as

initiatives we can deliver together to improve autumn performance

- reviewing worst performing freight train services, identifying repeated trends and required intervention to deliver the FDM
- continued focus on Strategic Freight Corridors, in particular focusing efforts on corridors which are being adversely affected by network issues.

In addition, we have developed and are delivering a freight operating company (FOC) on train operating company (TOC) action plan in order to reduce the delay caused by freight on TOCs and hence PPM. The principal causes of FOC on TOC delay are late starts from terminals and fleet failures and we are working with FOCs to better understand and manage these issues.

Key measures (continued)



Why this matters

Financial Performance Measure is the agreed method of reporting our financial performance in Control Period 5. It is intended to help our customers, funders and other interested parties gain a better understanding of our performance compared to the financial assumptions set out in the ORR Final Determination.

This will be reported in full at year end. The graph above shows our performance against the financial targets we have set.

How are we doing?

Financial Performance Measure is currently forecasted at year end to be £110m under the target that was set. £16m of this underperformance is due to specific decisions taken

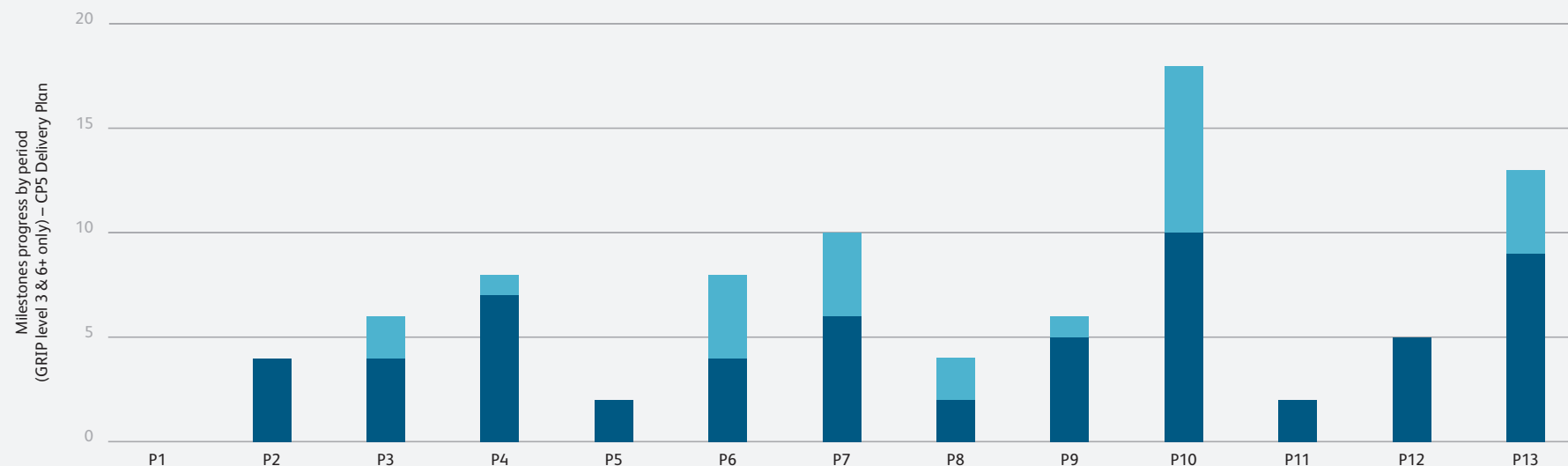
by the business this year including spending more money on vegetation, tidying the railway and the Business Critical Rules Programme. This investment should see benefits later in the control period. However, the main causes of this underperformance are forecasted increases in Schedule 8 costs of £34m driven by poor train performance and the delay in realising efficiencies in Network Operations.

What are our plans?

As part of the Business Planning update, we are reviewing all plans and initiatives to review all opportunities to improve our financial performance.

Key measures (continued)

Investment milestones



Why this matters

As part of our final determination with the ORR, we agreed to deliver more than £25bn of renewals and enhancements projects in CP5. The milestones associated with these projects are tracked to ensure that we are meeting the commitments that we have made.

How are we doing?

Up until Period 6, we successfully completed four of our top 10 milestones on time. We are currently forecasting to deliver eight of the 10 key milestones by the end of the year. Of the 87 regulatory milestones planned this year we are forecasting to not meet 25 (seven not met year to date); 14 are forecasted not to be met at the option and selection

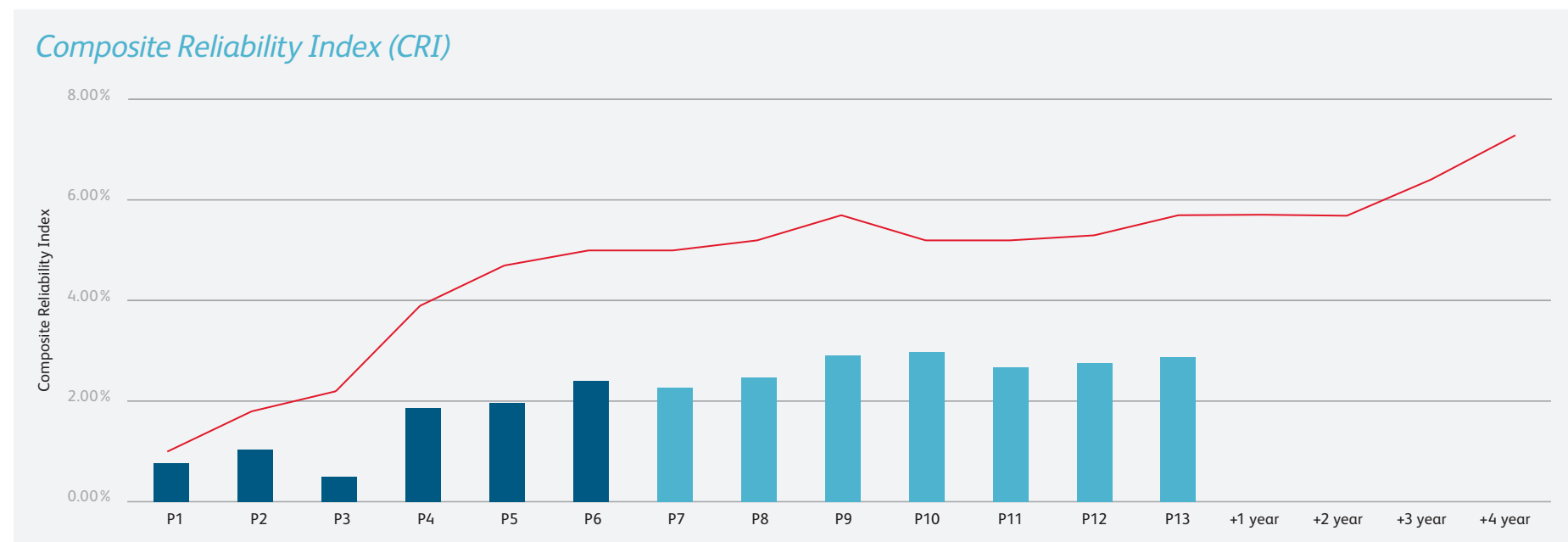
stage (four not met year to date) and 11 are forecasted not to be met at the construction test and commission stage (three not met year to date).

What are our plans?

We have increased our level of review with each regional delivery unit and asked them to develop plans to improve performance.

We are also reviewing our clienting guidelines to sharpen accountabilities on enhancement delivery.

■ On Target
■ Missed/Forecast Missed



Why this matters

The aim of the Composite Reliability Index is to provide an indication of the contribution of infrastructure asset reliability to the safety and performance of the railway, for operating routes and the whole network. CRI shows the percentage improvement of asset reliability compared to the baseline taken at the end of Control Period 4. This is important as it is a key driver in ensuring a safe and reliable railway, and provides a good basis for improved train performance.

How are we doing?

Overall asset reliability as measured by the CRI has improved by 2.4 per cent at Period 6 against the baseline, although this is less than the targeted improvement of five per cent. We are now forecasting to miss our year-end

target of 5.7 per cent. This is primarily due to smaller than targeted improvements in track, signalling and telecoms.

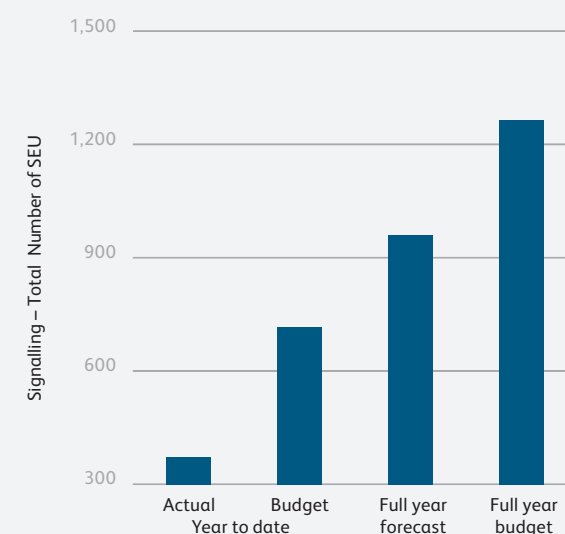
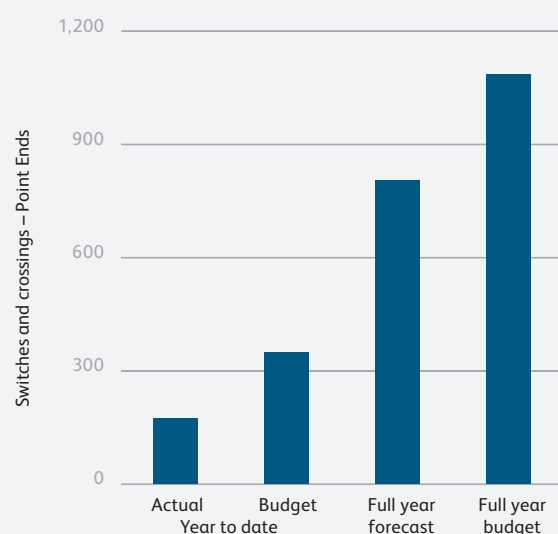
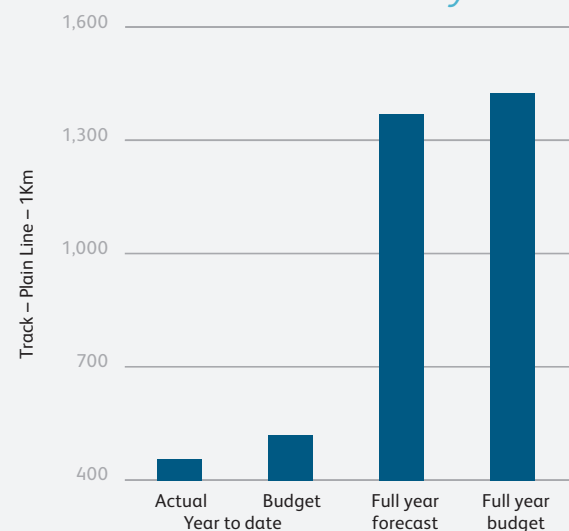
What are our plans?

There are a number of improvements planned particularly in track, telecoms, points, track circuits, axle counters and signalling system failures. The continued roll-out of remote condition monitoring equipment, combined with improved understanding and reporting/analysis capability for Intelligent Infrastructure will contribute to improvements in points and track circuit performance. National initiatives focusing on the reliability of signalling relays and solid state interlocking modules will contribute towards improvements in signalling failure improvements. Enhanced reporting of failures will allow improved root-cause analysis of faults, using coding by front-line teams via an App, which is now available to use.

■ Current Year Actual
■ Current Year Forecast
— Target

Key measures (continued)

Renewals volumes – seven key volumes



Why this matters

Evidence-based asset policies are fundamental to effective asset management. The decisions we take on maintaining, renewing and enhancing our assets drive the majority of expenditure on the infrastructure and determine the level at which the network will be able to perform, now and in the long term. A key part of our asset policy are the decisions we take to renew our network and we have agreed with the regulator the volumes we will renew in CP5. Our seven key volumes have been identified as critical volumes and indicative of the overall renewals activity as they represent around 50 per cent of our renewals programme.

How are we doing?

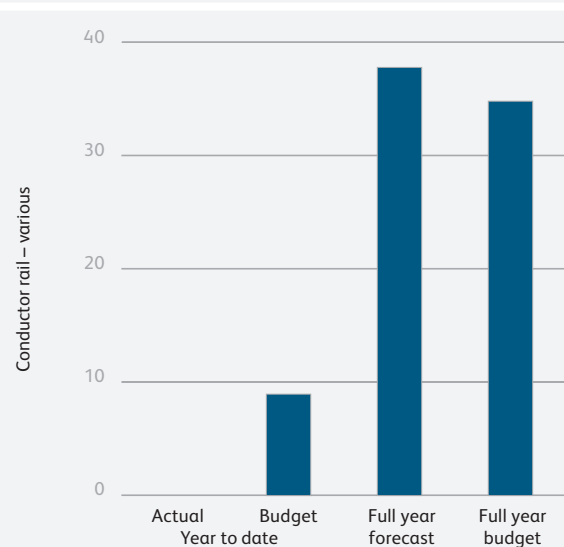
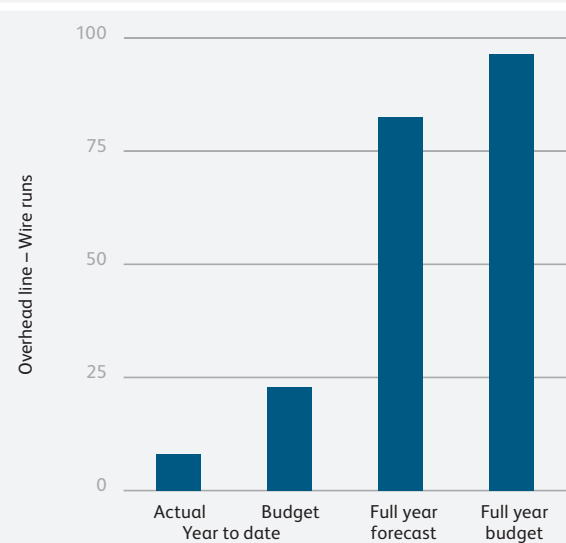
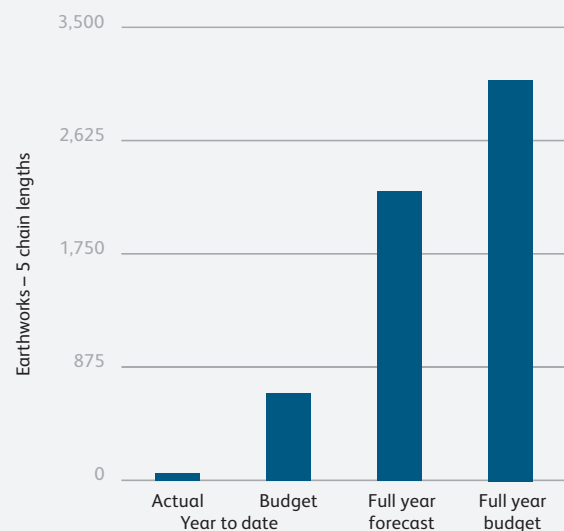
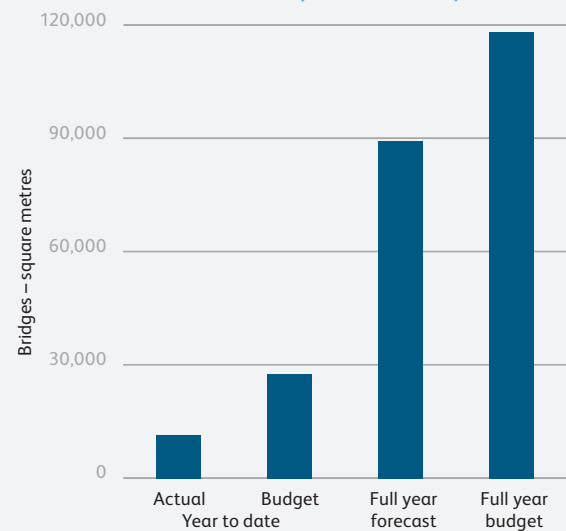
For the seven key volumes, we are below the target we set ourselves. Contributing to this is the limited number of possessions where we have planned work, access restrictions and plant availability. By the year end, we are forecasting to exceed the delivery of the committed conductor rail volumes and we will deliver to within four per cent of our delivery of plain line volumes. However, we will remain short of the other five volumes.

What are our plans?

In early December, we will be revising our business plan for the remainder of the control period and highlighting how we can recover this shortfall. We are focusing on locking down our plans earlier and engaging with contractors to mitigate current shortfalls in resources.

Key measures (continued)

Renewals volumes (continued)



Our strategic themes

Our Strategic Business Plan for 2014-19 set out a fresh vision for Network Rail which will take at least a decade to deliver. We expect to make significant progress in the next five years. These quarterly reports will update you on that progress. Our key themes and commitments are detailed on this page.

Key themes	Our commitments
Safety Everyone home safe every day	By putting safety at the heart of how we design, manage and maintain our railway we will reduce safety risks for passengers, the public and our workforce not just in the next five years but for generations to come.
Sustainability A railway fit for the future	By placing sustainability at the heart of everything we do, we will make our business more efficient, protect the value of our assets, and deliver a railway fit for future generations.
Asset management Reliable infrastructure	We will go from being world class in taking care of our track to becoming a world leader in the management of all our assets.
Capacity and performance management Reliable timetables	We will continue to transform how we timetable and operate the railway, enabling us to deliver a better service for all.
Project development and delivery The biggest investment since the Victorian era	We will deliver the biggest capacity increase on the railway for 100 years, benefiting people and businesses across Britain.
Technology and innovation A technology enabled future	Investing in technology will transform our knowledge of the railway making us better at targeting when, where and how we improve it.
A customer focused organisation Organisational change	Structuring our organisation to give clearer accountability to local people who best understand the needs of our customers will help us become a more flexible, collaborative company.
People Investing in our people	We will create an environment that promotes accountability, opportunity and diversity. This will help us to become an employer of choice.
Transparency and public information Opening up	We will become an open and accessible organisation which understands, and helps others to understand, the issues shaping the future of the railway.
Funding and affordability Reducing public subsidy	We will continue to reduce public subsidy of the railway.

*Look out for our next quarterly report
published in the winter.*

*In the meantime further updates and
information is at networkrail.co.uk*

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