

Q2

*Quarterly
Report
2015/16*

WELCOME TO OUR LATEST QUARTERLY REPORT

This report covers the second quarter of 2015/16, and is intended to provide clear information on how we are doing against our key targets.

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CHIEF EXECUTIVE'S FOREWORD



£750m

transformation of Birmingham New Street station completed

£44m

makeover of Manchester Victoria station completed

Welcome to Network Rail's second quarterly report of 2015/16, which covers the three periods of the year, from 26 July to 17 October.

WE ARE INVESTING MORE TO UPGRADE THE RAILWAY THAN IN ANY PREVIOUS CONTROL PERIOD.

When I joined Network Rail, I was struck by the sheer scale and complexity of many of the projects that we carry out.

In particular, the portfolio of work planned for Control Period 5 – as part of our Railway Upgrade Plan – represents a challenge of a completely different magnitude to those of previous control periods. Not only are we investing more to upgrade the railway than in any previous control period, but we are undertaking first-of-a-kind electrification projects never done before on British soil, and wholesale renovations of structurally unique Victorian stations. All at the same time as keeping the railway open for business.

The difficulties we are experiencing in delivering this challenging portfolio of work became more widely understood over the quarter as our new Chairman, Sir Peter Hendy, began the task of carrying out a review of enhancements, and the Government asked us to resume the previously paused electrification of the Midland Main Line and development work for Transpennine electrification.

Less well known, perhaps, are the main causes of the situation in which we find ourselves. It is very clear to me that the main reason for the difficulties we are facing is that projects were committed to at too early a stage of development, when cost estimates were still immature. This has meant that, as projects reached maturity, it became clear that they would cost significantly more than the early numbers indicated. Before reclassification, our independent borrowing capability would have enabled us to accommodate these increased efficient costs, but our new funding arrangements demand a much greater fiscal discipline. This has meant that we have had to dedicate considerable time over this quarter to re-planning our enhancement work for the control period to make it more affordable.

At the same time as this re-planning work was going on, our teams on the ground were busy putting the final touches to two huge station renovation projects at Birmingham New Street and Manchester Victoria. These stations, once considered some of the worst

CHIEF EXECUTIVE'S FOREWORD CONTINUED

in the country, have been completely transformed. They now offer the light, spacious and modern surroundings that passengers deserve. They are nothing short of magnificent.

In September, we also re-opened the Borders Railway in Scotland, the longest new domestic railway to be constructed in Britain for over 100 years – on time and on budget, thanks to thorough planning and community engagement.

These projects are testimony to the extraordinary talent and dedication of the people working at Network Rail. They are also a clear and timely reminder of the excellence we are capable of achieving in delivering major projects and of the need for us to strive to achieve excellence on every single piece of work that we do.

This need for structured continuous improvement is why, every quarter, we are making key information available about the progress we are making on the most important measures. This transparency makes it possible for those outside the business to judge the progress we are making and hold us to account. It drives us to be better every day.

You will see from this latest scorecard that we are taking significant strides forward in improving workforce and passenger safety, though we must maintain a relentless focus on this and renew our efforts to reduce risk at level crossings. We have also made good progress in meeting our enhancement milestones.

Equally, we are not delivering against some of the measures, including train performance, financial performance, renewals and customer and passenger satisfaction.

It is very clear to me that, despite setbacks this year, we are getting better at what we do. As I visit our stations, offices, depots and worksites all around the country I see many signs that our people are taking personal responsibility for driving improvements and that real progress is being made. This quarter has demonstrated that we are capable of great things, and I am optimistic about what we can collectively achieve in the months and years ahead.



Mark Carne
Chief executive
January 2016

THE PROJECTS SUCCESSFULLY COMPLETED THIS QUARTER ARE A CLEAR AND TIMELY REMINDER OF THE EXCELLENCE WE ARE CAPABLE OF ACHIEVING.

SCORECARD

Our scorecard for the second quarter of 2015/16 gives an at-a-glance summary of our achievements against key indicators and areas in which we need to do better.

Area	Performance measure	Full-year forecast						
Safety		AIP % weighting	Current period MAA	Prior period MAA	Worse than target	Target	Better than target	
Workforce safety	Lost time injury frequency rate (LTIFR)	5.0 %	0.539	0.537	0.540	0.524	0.511	0.483
Workforce safety	Workforce close calls	3.0 %	8,141 actual	61,656 YTD	70,000	80,000	90,000	100,900
Workforce safety	YTD close calls closed within 28 days (%) one period in arrears† †Currently close-out only calculated for non-IP close calls	2.0 %	55.3 %	54.9 %	40 %	50 %	54.2 %	60 %
Passenger safety	Train accident (PIM) – one period in arrears	5.0 %	1.762	1.738	1.986	1.942	1.906	1.899
Level crossing risk reduction	Level Crossing Risk Indicator Model – one period in arrears	5.0 %	1.091	1.087	1.262	1.719	1.893	2.524
Train performance		AIP % weighting	Current period	MAA	Worse than target	Target	Better than target	
Public performance measure	National	12.0 %	89.9 %	89.5 %	89.2 %	89.7 %	90.0 %	91.0 %
CaSL	England and Wales	6.0 %	2.6 %	3.0 %	3.0 %	2.9 %	2.8 %	2.4 %
Freight delivery	Freight delivery metric (FDM)	2.0 %	95.5 %	94.3 %	92.5 %	94.5 %	95.0 %	
Financial performance		AIP % weighting	Current period	YTD	Worse than target	Target	Better than target	
Financial performance measure	Total efficiency generated (£m) excluding enhancements	15.0 %	11	-5	-£200m	-£125m	0	+£200m
Financial performance measure	Enhancements (£m)	5.0 %	-11	-53	-£102m	-£100m	0	+£100m
Investment		AIP % weighting	Current period	YTD	Worse than target	Target	Better than target	
Top 10 IP renewals and enhancement milestones	Key milestones of top 10 renewals and enhancement projects	5.0 %	0	6	6	8	10	
All delivery plan enhancement milestones (%)	Interim and completion milestones of all enhancement projects	5.0 %	89.0 %	88.0 %	60.0 %	80.0 %	83 %	100.0 %
Asset management		AIP % weighting	Current period	Prior period	Worse than target	Target	Better than target	
CRI (Composite reliability index)	Total	7.5 %	14.0 %	13.5 %	7.5 %	8.4 %	9.3 %	15.4 %
Renewals (seven key volumes)	Volumes (period and YTD actual not MAA)	7.5 %	107.1 %	95.5 %	90.0 %	99.7 %	100.0 %	110.0 %
Satisfaction		AIP % weighting	Current	Previous	Worse than target	Target	Better than target	
Customer	Survey results	5.0 %	3.00	4.47	3.15	3.32	3.49	
Passenger	Survey results	5.0 %	80.0 %	81.0 %	80.5 %	81.0 %	83.3 %	86.0 %
Lineside neighbours	Survey results of NR favourability amongst lineside neighbours who experience work (YTD)	5.0 %	53.0 %	52.0 %	52.0 %	53.0 %	53.4 %	55.0 %

Key to performance colours

- 'Significantly missing target'
- 'Close to target'
- 'On or above target'
- 'Better than target' or above

PERFORMANCE COMMENTARY

The following pages provide details on our achievements in the second quarter of the year against the key indicators in the scorecard, and our plans and priorities for improvement.

Safety

● Lost time injury frequency rate:

a measure of the amount of time lost due to fatality and injury among Network Rail staff and contractors employed by Network Rail, per 100,000 hours worked. The target reduction in the workforce safety lost time injury frequency rate (LTIFR) for this year is 10 per cent.

While there has been a noticeable improvement in this measure since the last quarter, we are currently forecasting that we will narrowly miss our year-end target.

The key areas of focus for reducing the safety risk to our workforce are:

1. The planning and delivery of safe work programme
2. Fatigue risk management
3. Sentinel enhancements
4. Management of road risk; and
5. Risk management including review of work activity risk assessments

●● Close calls raised: the number of close calls reported excluding infrastructure projects. The target is to raise 80,000 in the year. Any more and we're performing better than target. We aim to close out 50 per cent of calls within 28 days.

We are still on course to exceed the scorecard maximum for the year with all routes across the board exceeding their individual targets. In terms of closing out these close calls within a 28-day period, we forecast that we will exceed our 50 per cent year-end target by 4.2 per cent based on the current rate of progress.

We are continuing to encourage the reporting and closing out of close calls. We are continuing to emphasise that unsafe acts are just as important to report, if not more important from a cultural perspective, as unsafe conditions, and will perhaps have even more of an impact on changing the organisation for the better.

● Passenger safety: this measure is based on the number of high-risk events that happen that are identified as precursors to a passenger safety incident. A figure lower than 1.942 means a better performance against target.

The results over the quarter as a whole are well within target, although the risk posed

by earthworks – engineering work involving moving quantities of soil and rock – has increased slightly compared to the last quarter. This is due to the greater likelihood of wetter weather as we head into autumn and winter which causes greater risk of stability problems for earthworks. The overall positive position on this measure is the result of improvements in performance at the end of the preceding year, largely due to improved weather conditions resulting in a lower number of infrastructure wrong-side failures compared to the previous year.

The key interventions to improve performance against this measure are improved vegetation management; risk-targeted investment in earthworks; renewing signalling systems to modern standards; a risk-based programme to modify switches and crossings; and risk-targeted investment in bridges, tunnels, culverts and retaining walls.

● Level crossing risk reduction: measure of benefits achieved through closures of level crossings, downgrade in status and crossing enhancements. Our target is 1.893. A higher figure represents better performance.

The current figure stands at 1.091 FWI per year vs an end of year target of 1.893 which we forecast we will narrowly miss.

Train performance

● Public performance measure: PPM is the percentage of all passenger train journeys that arrive on time.

For 2015/16, our target is 90 per cent. A figure higher than this represents a better performance.

● Cancelled and significantly late trains: CaSL is the measure of how many passenger trains are cancelled or are significantly late (more than 29 minutes late). Our target is 2.8 per cent. A lower figure means better performance against target.

Performance on both these measures remains a concern and area of focus. Our forecast for the full year at the end of the second quarter is that both targets will be missed, with 89.2 per cent national PPM and 3 per cent of passenger services either cancelled or significantly late. This represents a slight dip in the performance figure compared to the last quarter, but an improved figure for cancellations and significant lateness. Despite these figures,

THE CLOSE CALL TARGETS FOR THIS YEAR ARE FOR THERE TO BE 80,000 REPORTED CALLS AND 50 PER CENT CLOSED OUT IN 28 DAYS.

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OUR FOCUS FOR IMPROVEMENT
IS ON SERVICE RECOVERY
AFTER INCIDENTS TO MINIMISE
'KNOCK-ON' DELAYS.

performance is generally stable and we continue to make progress in reducing the number of incidents of primary infrastructure failure, with Network Rail now responsible for under half of all PPM failures. Despite this progress in tackling the primary causes of delay, the high demand for rail – and congestion on the network – mean that delay per incident continues to rise.

Our focus for improvement is on service recovery after incidents to minimise the amount of secondary or 'knock-on' delays. We are also working with train operators to see where we can assist in the delivery of their strategies to improve their own performance.

● **Freight delivery metric:** FDM is our indicator of how many freight services have arrived at their destination on time. Our target for 2015/16 is 94.5 per cent. Any higher and we are beating our target.

Freight performance has improved during this quarter from 94.3 per cent MAA to 95.5 per cent against a regulatory target of 92.5 per cent. As a result of the improved performance, we are not only forecasting that we will meet our regulatory target but also our own internal target of 94.5 per cent.

Financial performance

● **Total efficiency generated (excluding enhancements):** financial performance factoring in income, general operational expenditure and capital expenditure excluding enhancements. Our target for the year is £0 (break-even). A figure higher than this represents a better performance against our target.

● **Enhancements:** this shows our performance against our enhancements for the financial year. We have targeted 80 per cent completion – anything higher means we are exceeding against target.

Excluding enhancements, full-year performance is expected to be £125 million worse than target. This is predominantly due to underperformance in renewals – notably signalling, civils and track; and higher costs in Network Operations, including those resulting from pay award negotiations having been settled at a higher amount than previously planned and difficulties in achieving target efficiencies. Our focus now is on developing rigorous cost efficiency plans to reduce the forecasted £79 million operating expenditure overspend.

For enhancements, we are currently forecasting to be £102 million worse than target by year end, £23m more than reported in the last quarter. This is due to significant increases in estimated final project and programme costs. Again, the focus here will be on how we can deliver the portfolio more efficiently, and this is addressed by the Hendy Review.

95.5%

Freight performance at the end of the quarter stands at 95.5 per cent against a regulatory target of 92.5 per cent

Investment

● **Infrastructure projects renewals and enhancement milestones:** we have to deliver eight of the top 10 IP renewals and enhancements milestones during 2015/16 to achieve our target. If we achieve more than this, that is an improvement against our target.

Of the top 10 milestones, three were delivered in the first quarter, with a further three achieved during the second quarter. This means that we have now achieved six of the top 10 milestones, and we are forecasting that eight will have been completed by the year, enabling us to meet our target for this measure.

● **All enhancement milestones:** we have to achieve 80 per cent of all our delivery plan enhancement milestones to reach our annual target. If we achieve more, it means we are performing better than target.

We made good progress on this measure during the quarter and are currently projecting that we will meet 83 per cent of all our enhancement milestones, exceeding our target.

Asset management

● **Composite reliability index:** this is a measure of the short-term condition and performance of our assets including track, signalling, points, electrification, telecoms, buildings, structures and earthworks. Our target is 8.4 per cent. A higher number represents performance better than target.

Performance against this measure improved significantly again over the quarter and continues to be better than target. Within the last period of the quarter, all of the main categories were better than target, and we forecast that we will remain well ahead of target overall at year end.

PERFORMANCE COMMENTARY CONTINUED

Despite steady progress, further improvement is still required for signal failures, axle counters that detect passing trains, track circuits and level crossing obstacle detection systems. The focus for improvement is on better reliability of new products, more product testing, and improving the quality and rigour with which new equipment is installed.

● **Renewals (seven key volumes):** our target for the key volumes of renewal work is 100 per cent. In this instance, it is possible to achieve higher than 100 per cent. Our seven key volumes for renewals are: plain line track; switches and crossings; signalling and equivalent units; underbridges; total earthworks; wire runs; and conductor rail.

There has been another strong performance in the second quarter for some key volumes, including conventional plain line track, which is now ahead of target. Unfortunately, other key volumes are not where we want them to be and we are forecasting that, despite real and positive progress, we will narrowly miss our end-of-year target.

Satisfaction

● **Customer satisfaction:** an assessment of how well we engage with passenger and freight operating companies. Our target is 3.32. It's measured through the customer-satisfaction survey carried out by market research agency, GfK, once a year.

● **Passenger satisfaction:** this is measured through the National Rail Passenger Survey commissioned by Transport Focus, which provides a network-wide picture of passenger satisfaction with rail travel. Transport Focus conducts the passenger survey twice a year. The year-end result is the average of the two surveys. Our target is 83.3 per cent.

We are currently forecasting that this target will not be met. The most recent wave of the National Rail Passenger Survey – spring 2015 – had an overall satisfaction level of 80 per cent.

53.4%

lineside neighbour favourability, exceeding our target

● **Lineside neighbour favourability:** this measures Network Rail's reputation among lineside neighbours who have experienced work near their homes or places of work in the past 12 months. We ask them 'how favourable/unfavourable are you towards Network Rail'. Our target is 53 per cent.

Lineside neighbour favourability has improved since the last quarter and we have exceeded our target favourability rating of 53 per cent. The focus now is firmly on maintaining the progress already made for this measure and looking at ways that we can continue to drive further improvements.

The lack of pre-notification for vegetation works represents the single biggest category of complaints to the call centre. All route teams have been briefed on the standard relating to communicating with the public, as part of wider engagement designed to improve significantly in this area.

THE LACK OF PRE-NOTIFICATION FOR VEGETATION WORKS REPRESENTS THE SINGLE BIGGEST CATEGORY OF COMPLAINTS TO THE CALL CENTRE.

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HIGHLIGHTS OF THE QUARTER



↓ August

We kickstarted a new public awareness campaign about the work we do over bank holidays to deliver the company's Railway Upgrade Plan, raising awareness among passengers of the need to plan ahead and check before they travel in case their journeys are affected.

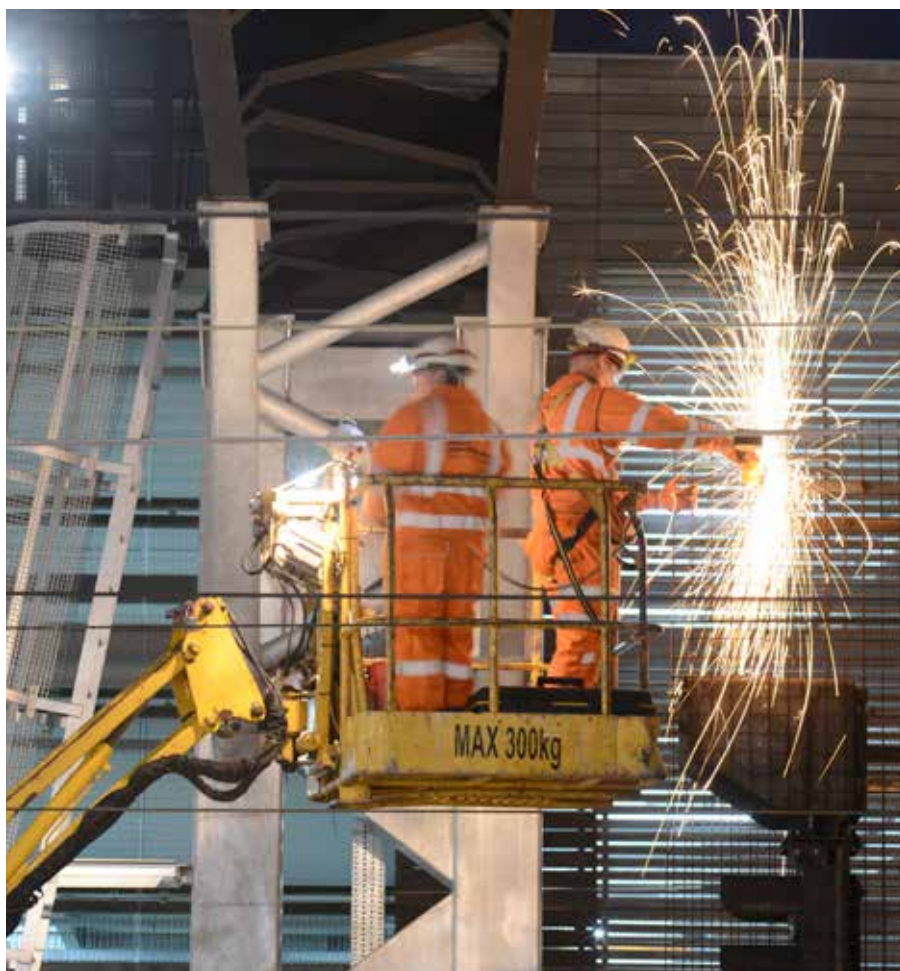


↑ July – August

Over six weeks in the height of the tourist season we completed the biggest track renewals project ever undertaken in and around Bath. Our engineers lowered and replaced 10km of track, 23,000 sleepers and 98,000 tonnes of ballast in Bath and its surrounding area in preparation for the arrival of a new fleet of faster, quieter and greener electric trains. The new lower track has created the additional headroom needed for the overhead lines that will power the new trains, while simultaneously preserving key parts of Bath's historic architecture and heritage.

→ August

Our 14,000-strong orange army successfully completed a £47 million package of investment works as part of its Railway Upgrade Plan over the August bank holiday, including the culmination of the work in and around Bath as well as improvements to signalling on the West Coast main line at Stafford, new track in Ipswich, and continuing the reconstruction and expansion of London Bridge station.



HIGHLIGHTS OF THE QUARTER CONTINUED

→ September

Her Majesty the Queen officially re-opened the Borders Railway in Scotland, from Edinburgh Waverley station to Tweedbank, the longest new domestic railway to be constructed in Britain for over 100 years. This project was completed on time and on budget, and attracted over 125,000 passenger journeys in its first month alone.



↓ October

A five-year, £750 million transformation of Birmingham New Street was completed. Boasting an iconic new atrium over a huge passenger concourse five times the size of London Euston's, the station has been rebuilt while trains continue to run as normal for the 170,000 passengers that use it every day. Also a retail destination in its own right, the new station features 43 shops on the concourse and, above it, the new Grand Central shopping complex, a 450,000 sq ft shopping destination, home to one of the UK's largest John Lewis department stores.



← October

Manchester Victoria, recently labelled Britain's worst station, was formally re-opened after a £44 million makeover.

As well as retaining the key heritage aspects of the station, and creating four new tram platforms and three new tracks, the modernisation included a vast new roof made from the same material used at the Eden Project to give passengers and other users of the station a light, spacious environment with new shops and cafés.

After a temporary pause in our electrification programme, we resumed work to electrify the Midland Mainline and started work to develop a new and improved plan for the electrification of the Transpennine line between Stalybridge and Leeds and on to York and Selby.



GLOSSARY

This page provides details and explanations for some of the terms, abbreviations and acronyms that have been used in this report.

Term	Description
Control period	Network Rail's funding, and what it has to deliver, is determined by the Office of Rail and Road. This is done every five years. These five-year periods are known as control periods. We are currently in Control Period 5 (2014-2019)
Enhancements	Enhancements are the projects that Network Rail is delivering to improve or grow the railway. These range in size from those which cost a few hundred thousand pounds to those which cost many billions, but all of them enhance the railway in some way
Final determination	The final determination is the decision taken by the Office of Rail and Road on what Network Rail has to deliver, and how much funding it has to deliver it, during a control period
FWI	Fatalities and Weighted Injuries – any incidents of fatalities, injuries or shock and trauma are combined into this single, weighted measure
IP	Infrastructure Projects – Network Rail's project-delivery arm
LX	Level crossing
MAA	Moving Annual Average – this is a measurement that is updated every four weeks, and covers train punctuality over the previous 12 months (13 periods)
Period	The railway year is sub-divided into 13 periods of four weeks each, from 1 April to 31 March
PPM	Public Performance Measure shows the percentage of trains which arrive at their terminating station on time. It combines figures for punctuality and reliability into a single performance measure and is the industry standard measurement of performance
Renewals	Renewals refers to Network Rail's programme of renewing its assets, such as track, points or conductor rails
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
Schedule 4	Payments made by Network Rail to compensate its customers – the train and freight operators – for planned disruption
Schedule 8	Payments made by Network Rail to compensate its customers for unplanned disruption
Sentinel	A smartcard that every worker on the track carries with them that contains a number of details, including their competencies and hours worked. Every worker's credentials are checked every time they work
YTD	Year to date

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information are available
at networkrail.co.uk

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