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# Rail regulator demands new punctuality target

By Mark Odell, Transport Correspondent

The rail regulator is to impose a minimum punctuality target for the first time, amid growing concern about Network Rail's performance during the past year.

The Office of Rail Regulation will demand that 90 per cent of all services arrive on time, rather than just relying on a target based on average performance.

The move comes after figures last week revealed that Network Rail missed all punctuality targets in England and Wales last year, with a sharp rise in delays on most long-distance routes.

The regulator set an average punctuality target by 2019 of 92.5 per cent, compared with just under 91 per cent at present, in anticipation that strong passenger growth – forecast to be 15 per cent in the period – would make it "challenging" for Network Rail to hit the targets on an already crowded network.

Anthony Smith, chief executive of Passenger Focus, welcomed the emphasis on improving punctuality but questioned the scale of the regulator's ambition. "Passengers may be baffled that after five more years of investment the overall target for punctuality at the end of 2019 will differ only marginally from now," he said.

The new 90 per cent minimum on-time threshold is designed to force Network Rail to focus on pulling up performance on the West and East Coast lines – the main north to south inter-city routes – from an average in the low 80s. Network Rail is responsible for more than two-thirds of the delays on those routes.

The regulator has already warned the company it faces a hefty fine if performance on long-distance routes does not improve before March next year. At current levels it would face a £75m penalty.

The continued poor performance has prompted Virgin Rail to take legal action against Network Rail amid continued problems on the West Coast main line.

The change to punctuality targets is part of the initial findings from the ORR's scrutiny of Network Rail's proposed budget for the next five-year regulatory period from 2014 to 2019.

The ORR has also called on Network Rail, which is technically part of the private sector but receives direct annual subsidy of £4bn, to cut £2bn from its budget in the period. The track owner has said it was looking to spend £37.5bn on running and investing in the rail network during that period.

The ORR said Network Rail was on track to deliver by 2014 a 40 per cent cut in the cost of running the railways over the last decade. It said the new efficiency drive would deliver a further 20 per cent in savings by 2019 that should enable Network Rail to meet targets set by Sir Roy McNulty two years ago.

The McNulty review found that cost of running the railways in the UK was up to 30 per cent more than its continental European counterparts.

Richard Price, chief executive of the ORR said: “Britain’s railway is a success story and it has made significant progress over the past decade. In order to sustain this progress and retain support and confidence, the industry must continue to improve its efficiency to reduce its dependence on public subsidy.”

Mr Price said he was “comfortable” with the projected rise in Network Rail’s borrowing, which is forecast to jump from £30bn to £40bn by 2019, because a near-proportionate rise in asset values will mean the leverage ratio is a little more than 68 per cent, below the regulatory maximum of 75 per cent.

Mr Price said this was “in line with more traditional utilities” but said a debate was needed about longer-term funding of the railways, assuming debt levels continued to rise.

Network Rail said on Wednesday that it would “take the time necessary to analyse” the ORR’s findings before giving a formal response in September.

Last month it was announced that the top five managers at Network Rail will share an annual bonus of more than £350,000, despite missing punctuality targets.

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