ORR: Network Rail missing efficiency targets

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Signalling: rationalisation of systems acknowledged by ORR in latest efficiency assessment

Network Rail is on course to deliver enhancement schemes but has overstated some efficiency savings, according to the latest annual assessment by the Office of Rail Regulation.

The regulator's efficiency and finance assessment of Network Rail for 2012-13 examines the amount of money the company has spent and what it provided in return for the funds it received during the fourth year of Control Period 4, which runs from April 2009 to the end of March 2014. Actual expenditure on renewals, maintenance and asset management is compared with the previously agreed targets and spending.

According to the analysis Network Rail implemented a number of initiatives - such as rationalising its signalling and control centres and reducing use of sub-contractors - to improve its operating maintenance and renewals expenditure.

However, the report says the pace of efficiency improvements slowed in 2012/13. The ORR's assessment is that Network Rail is unlikely to deliver the potential 23.5% efficiencies identified for operations, renewals, maintenance and asset management by the end of CP4.

The regulator says Network Rail is "on track" to deliver its rail enhancement programme and mentions the completion over the past year of extensions to the East London line, electrification of the Paisley Canal branch line and lengthening of platforms on the East Coast Main Line. But the report also details hundreds of millions of pounds worth of planned enhancement spending which has been deferred out of CP4 with the agreement of the regulator and the Department for Transport.

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There are doubts expressed about Network Rail's reporting of its financial performance during CP4. "Put simply, we do not recognise as outperformance, costs that Network Rail has avoided incurring as a result of not having delivered outputs required by the determination or not managing its assets sustainably," states the report.

ORR Chief Executive Richard Price said: "Network Rail has been entrusted with large amounts of public and passengers' money, which, if invested well, should deliver the levels of efficiency and punctuality it promised to deliver. However, the company is falling short of expectations at the moment."

Price added: "Network Rail is facing many problems of its own making, having failed to deliver plans to renew Britain's rail network, with delayed works now affecting performance. The company must urgently catch-up and address the problems which are causing disruption to passengers and target its work as efficiently as possible. This is vital as it heads towards its new five-year delivery plan with more stretching targets."

Among the issues the report identifies as contributing to the failure to achieve efficiency targets are inadequate knowledge of assets, a reactive rather than preventative approach to maintenance planning and inadequate attention to drainage.

With the ORR admitting that Network Rail is unlikely to meet a number of targets in its current CP4 funding period there are now questions about what, if any, penalties will be levied on the infraco and whether the organisation can realistically be expected to meet more onerous targets for Control Period 5 if it proves unable to achieve those already in place for CP4.

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