



By Email

[REDACTED]  
Head of Rail Franchising Unit  
Transport Scotland

Date: 22 June 2018

Dear [REDACTED]

**PPM Benchmarks**

The ScotRail Franchise Agreement has a PPM MAA target of 92.5% from the start of Franchise Year 5 onwards. This is currently aligned with Network Rail's ORR regulatory output. However for a number of reasons we do not expect to achieve our targeted 92.5% PPM MAA in 2018/19. ScotRail remains committed to achieving 92.5% as soon as practicably possible.

However, the Donovan Review published in March 2018 put forward twenty recommendations required to achieve a sustainable 92.5% PPM. Six of these recommendations relate to stabilising current delivery and, whilst progress is being made on these six, our ScotRail Alliance performance analysis estimates we will not see enough benefits in the year to improve performance from the 89.5% last year to 92.5% this year.

We expect the ScotRail PPM MAA for P13 2018/19 to be 90.5% and ScotRail request the Improvement Plan Performance Level (PIP level) in the Franchise Agreement is reduced by 1% (to 2% below Target Performance Level, being 90.5% with effect from Franchise Year 5 onwards). This would be anticipated to result in ScotRail exceeding PIP performance level by the start of 2019/20.

There are three reasons ScotRail believe the PIP threshold should be reduced:

- As noted above, the Donovan Review forms the basis of a long term strategic plan for improving performance which will be implemented by ScotRail and monitored by Transport Scotland through our existing forums on an ongoing basis.
- The underperformance of Network Rail.
- Our new skip stop policy where we no longer skip stops unless there is no other option.

The Network Rail Scotland CP6 submission to the ORR has PPM for 2018/19 as 90.5%, 2020/21 as 91.5% and 2020/21 as 92.5%. This forecast would mean that ScotRail will be in PIP territory until April 2020/21. The ORR Draft Determination disagrees with this forecast and expects NR to achieve 92.5% PPM in each year of CP6 – a view that is shared by ScotRail.

Network Rail is continuing to underperform in PPM failures terms. Year to date, as of 12<sup>th</sup> June 2018, Network Rail are 47% worse than target for PPM failures. Conversely ScotRail caused PPM failures are 13% better than target year to date.

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Table 1 - PPM Failures by Responsibility Year to Date to 12th June

Responsibility	Target	Actuals	Variance	% Variance
ScotRail	4372	3788	-584	-13%
Network Rail	5814	8533	2719	47%
TOC on TOC	1007	1107	100	10%
Unattributed	417	443	26	6%
<b>Total</b>	<b>11610</b>	<b>13871</b>	<b>2261</b>	<b>20%</b>

In addition, ScotRail PPM failures in the first 2 periods of 2018/19 are at the lowest level in 3 years – down 6% on last year. ScotRail also have caused only 29% of PPM failures which again is the lowest in 3 years. Conversely NR PPMFs have increased by 17% on last year are now causing 57% of overall PPMFs.

Table 2 - P1-2 Year on Year Comparison of PPM Failure Responsibility

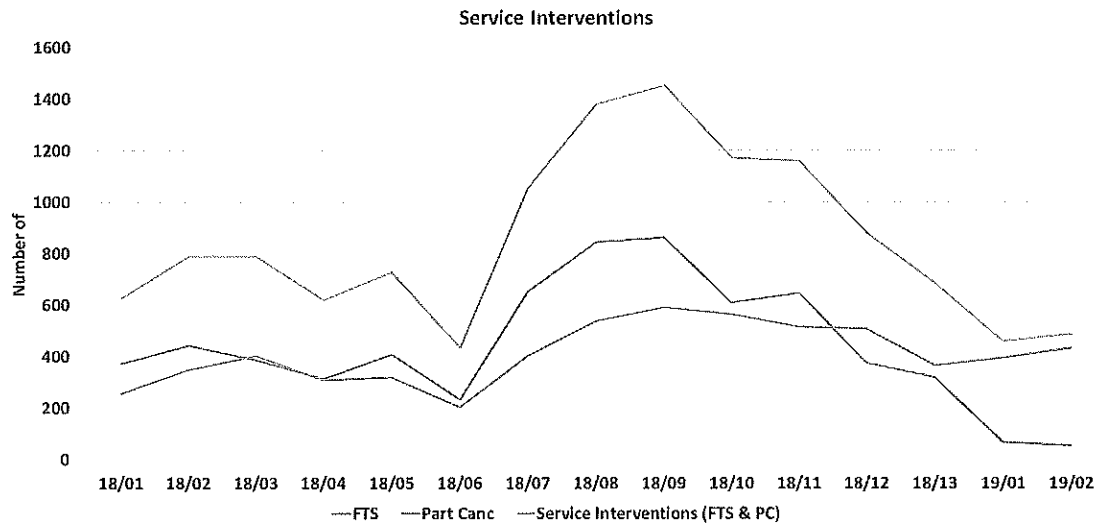
Responsibility	2016/17	2017/18	2018/19	% Change on 17/18	% of Total PPM failures		
					16/17	17/18	18/19
ScotRail	3,369	3,037	2,849	-6%	41%	34%	29%
Network Rail	4,010	4,727	5,518	17%	48%	53%	57%
TOC-on-TOC	490	578	868	50%	6%	7%	9%
Unattributed	445	535	509	-5%	5%	6%	5%
<b>Total</b>	<b>8,314</b>	<b>8,878</b>	<b>9,744</b>	<b>10%</b>	<b>-</b>	<b>-</b>	<b>-</b>

ScotRail also believe there is a large impact on PPM due to our updated skip stop strategy and we will explain below how we have modelled the impact.

Since the 2<sup>nd</sup> week of April ScotRail no longer skips stops unless there is no viable alternative. Since this change in strategy we have seen many days with 0 skip stops and the overall percentage of skip stops has been 0.1% in P1-2 compared with 0.7% last year. At the same time the level of part cancellations has increased from 0.5% last



year to 0.7% but overall the combined level of service interventions is down from 1.2% to 0.8% - a 32% reduction.



P1-2	FTS	PC	Total	FTS %	PC %	Total %
2017/18	814	605	1419	0.7%	0.5%	1.2%
2018/19	118	827	945	0.1%	0.7%	0.8%
Difference	-696	222	-474	-0.6%	0.2%	-0.4%
% Diff	-	-	-	-85%	39%	-32%

It is acknowledged across all stakeholders this skip stop policy is the right thing to do for our passengers and we have seen a large decline in passenger complaints.

However at the same time we have to acknowledge that no longer using skip stops as a service recovery tool is having an impact on PPM. When an incident occurs, it is taking us longer to return to normal working as we using service recovery on 33% less trains than the previous year. A comparison of 2 flooding events at Winchburgh, one on 6<sup>th</sup> March 2018 where FTS were used and one in 3<sup>rd</sup> April 2018 where FTS were not used, shows there was an increase in PPM failures by 25%. We used 27 FTS on the 6<sup>th</sup> March to enable faster service recovery but on the 3<sup>rd</sup> April there were 0 FTS.

We have modelled this 25% increase in PPM failures applying it to each of our top 50 incidents in the period where we estimate previously we would have used FTS to recover the service faster.

Period	Trains	Actual	Projected	Actual %	Projected	Actual	Projected
		PPMF	PPMF	PPMF	PPMF	PPM	PPM
1718_01	60,931	3,794	4,117	6.2%	6.8%	93.8%	93.2%
1718_02	59,251	4,948	5,376	8.4%	9.1%	91.6%	90.9%
1718_03	59,453	4,784	5,248	8.0%	8.8%	92.0%	91.2%
1718_04	59,407	3,744	4,098	6.3%	6.9%	93.7%	93.1%

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1718_05	59,502	4,495	4,918	7.6%	8.3%	92.4%	91.7%
1718_06	59,501	3,524	3,735	5.9%	6.3%	94.1%	93.7%
1718_07	59,312	6,987	7,663	11.8%	12.9%	88.2%	87.1%
1718_08	59,278	9,913	10,580	16.7%	17.8%	83.3%	82.2%
1718_09	59,141	9,743	10,472	16.5%	17.7%	83.5%	82.3%
1718_10	51,486	8,501	9,261	16.5%	18.0%	83.5%	82.0%
1718_11	59,099	6,509	6,990	11.0%	11.8%	89.0%	88.2%
1718_12	53,692	7,158	8,184	13.3%	15.2%	86.7%	84.8%
1718_13	58,719	5,230	5,695	8.9%	9.7%	91.1%	90.3%
2017/18	758,772	79,333	86,336	10.5%	11.4%	89.5%	88.6%

So based on our analysis of last year's performance we estimate there would be a 0.9% increase in PPMF if we did not apply our skip stop service recovery.

When this reduction in service recovery is added to the worsening NR performance, our expected performance improvement plans and strategic Donovan Review recommendations based on the balance of improvement initiatives and risks, we think reducing the PIP threshold to 90.5% would be an appropriate measure in the circumstances. If this approach is adopted, we would also propose that the Breach Performance Level is reduced accordingly by 1% (to 87.5% with effect from the start of the fifth Franchisee Year onwards).

We would of course be pleased to meet with and discuss any of the above with Transport Scotland and share our modelling and analysis.

Regards,

Yours sincerely

Head of Franchise  
Abellio ScotRail Limited

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## OFFICIAL

From: [REDACTED]  
Rail Directorate, Transport Scotland  
11 September 2018

Cabinet Secretary for Transport, Infrastructure and Connectivity

### **SCOTRAIL FRANCHISE AGREEMENT: REQUEST TO TEMPORARILY WAIVE THE CONTRACTUAL PERFORMANCE PPM BENCHMARKS**

#### **Purpose**

1. To seek your approval to temporarily waive enforcement of certain contractual PPM benchmarks contained in the Franchise Agreement, from reporting period 6 (18/19) until the start of reporting period 5 (19/20), subject to a condition that performance levels do not fall more than 1% below the said benchmarks during this period.

#### **Priority**

2. **Urgent** – A response by 17 September would allow a response to be issued to ScotRail thereafter: this is week 4 of period 6 and ScotRail/ Network Rail will be publishing the period figures on 21 September.

#### **Background/ Proposal**

3. You will be aware that ScotRail's performance has significantly declined over recent months, primarily due to the increase in Network Rail's infrastructure issues and the impact cross border operators have had on importing delays into Scotland.

4. The increase in infrastructure issues has seen Network Rail's performance deteriorate and exceed the contractual threshold specified by the Office of Road and Rail (ORR) within the Track Access Contract (TAA), between ScotRail and Network Rail Scotland.

5. ScotRail is also citing the suspension of skip stopping, except as a last resort as having a detrimental impact on rail performance. This is a recommendation from the Donovan Independent Review which was implemented earlier this year. Separate discussions are taking place between Transport Scotland and ScotRail on this aspect, and does not form part of any considerations in this submission.

6. The ScotRail Alliance partnership's joint oversight of performance, as part of the Franchise Contract, does not appear to have delivered a sustained improvement in Network Rail's performance as yet. You will be aware that Abellio made strong commitments to work in partnership with Network Rail, a key part of their franchise bid, because such close working is essential to delivering strong performance.

7. Practically, this commitment has been frustrated by continued central control by Network Rail which has prevented the ScotRail Alliance from fully delivering performance improvements effectively. With the recent appointment of Network Rail's new Chief Executive (Andrew Haines), there is now a renewed commitment to real managerial devolution, although it will take time for this to deliver the expected performance improvements.

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8. You will also be aware of the timetable issues being experienced by cross border train operators in England. The unprecedented increase in delayed trains travelling across the border as a consequence of the timetable crisis in the north of England has also impacted on ScotRail's ability to deliver their Public Performance Measure (PPM). Since period one there has been a 92% increase in PPM failures caused by incidents outside of Scotland, which in 5 periods so far has reduced ScotRail's PPM by 0.5% in those periods and reduced the PPM MAA (Moving Annual Average) by 0.2%.

9. These two factors (the need for devolved Network Rail accountability and cross border delay "pollution") are consequences of management decisions made elsewhere in GB, and are the principle rationale we are minded to agree to the requested temporary dispensation.

10. Within the ScotRail Franchise Agreement there are four benchmark levels of performance specified for the Performance Punctuality Measure (PPM) Moving Annual Average (MAA). These are Target Performance Level, Improvement Plan Performance Level, Breach Performance Level and Default Performance Level. The Target Performance Level is 92.5% and this is a key output which ScotRail is required to achieve by 1 April 2019.

11. With ScotRail's declining performance they may fall into Breach Performance Level towards the end of reporting period 6 (19 August – 15 September 2018) based on current contractual targets. ScotRail's current indication is that they will likely continue in Breach Performance Level until reporting period 10 (end of December). In the event, ScotRail are required to notify Transport Scotland and contractually we *may* issue a Remedial Plan notice.

12. As a consequence of the unprecedented impact of both Network Rail and cross border operator performance, ScotRail has asked TS to temporarily lower the Improvement Plan Performance Level and Breach Performance Level benchmarks by 1% from this reporting period 6 up until reporting period 5 (19/20). For the avoidance of doubt, the Franchisee does not seek any change to the current Target Performance Level or the current Default Performance Level.

13. Any change to these benchmarks would require a variation of the Franchise Agreement. Officials have considered this proposal and think that a more effective way to proceed (if Ministers are minded to agree in principle) would be to leave the terms of the Franchise Agreement as they are and to waive enforcement of the benchmarks, for the period in question, subject to a condition that the performance does not fall more than 1% below the relevant benchmark levels (and certain other reporting/information requirements being met).

14. It should be noted that ScotRail has proactively submitted to us its plans for performance improvement, following the Donovan Review, so our proposed action does not delay or diminish efforts to restore performance.

15. **Annex A** contains further information on the background and proposal. With the complexity of rail performance, TS officials are happy to meet with you at any time to discuss this subject/ proposal further.

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16. We have sought advice from Scottish Government Legal Directorate on the proposal, both in terms of the contractual position and the provision made in the Railways Act 1993. **Annex C** contains further information.

**Way Forward**

17. Transport Scotland believes there is a strong evidence case to agree to waive enforcement of the current Improvement Plan Level and Breach Performance Level benchmarks based on the rationale set out above and a number of interventions that are currently underway or planned over the coming months which will support/ enhance resilience of the rail network which should allow the Franchisee to be compliant by December 2019. Further information on the interventions planned is set out in **Annex B**.



**Communications Handling**

18. Performance continues to be high profile both from a political and media perspective. As such, Transport Scotland has developed reactive lines and will engage with ScotRail to manage any queries following any agreement to waive enforcement of the performance benchmarks for the period referred to above. Communications lines are contained in **Annex D**.

**Recommendation**

19. The Cabinet Secretary is invited to:

- note the content of the briefing; and
- confirm approval for Transport Scotland to temporarily waive enforcement of the contractual PPM benchmarks specified in the Franchise Agreement, subject to the conditions referred to above.

  
Rail Directorate, Transport Scotland  


11 September 2018

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Cabinet Secretary for Transport, Infrastructure and Connectivity	x				

Transport Scotland Ministerial Submission List



## ANNEX A

### SCOTRAIL FRANCHISE AGREEMENT: REQUEST TO TEMPORARILY WAIVE THE CONTRACTUAL PERFORMANCE PPM BENCHMARKS

#### CURRENT SCOTRAIL PERFORMANCE

20. The table below provides ScotRail's performance by period this year compared to the previous year. This demonstrates that with the strong performance last year, ScotRail's PPM MAA would have to be as strong or better over the same periods this year to at least achieve the performance levels contained in the Franchise Agreement.

Year	Period	PPM	MAA	Year	Period	PPM	MAA
17/18	1	93.6%	<b>90.38%</b>	18/19	1	92.0%	<b>89.65%</b>
	2	91.6%	<b>90.31%</b>		2	91.5%	<b>89.50%</b>
	3	92.0%	<b>90.47%</b>		3	88.7%	<b>89.30%</b>
	4	93.7%	<b>90.67%</b>		4	85.5%	<b>88.40%</b>
	5	92.5%	<b>90.94%</b>		5	89.2%	<b>88.2%</b>
	6	94.1%	<b>91.21%</b>				
	7	88.3%	<b>91.06%</b>				
	8	83.0%	<b>90.77%</b>				
	9	83.3%	<b>90.75%</b>				
	10	83.4%	<b>90.37%</b>				
	11	88.8%	<b>90.10%</b>				
	12	89.7%	<b>89.87%</b>				
	13	90.9%	<b>89.69%</b>				

#### FRANCHISE AGREEMENT CONTRACTUAL PERFORMANCE TARGETS

21. The Franchise Agreement contractual performance levels/ targets for PPM MAA in 18/19 is set out below and illustrates that ScotRail is likely to fall into Breach Performance Level in Period 6 (this period) – current PPM MAA for the period is 88.2%. (this includes 0.2% granted for Force Majeure from Beast from the East which you have already been provided briefing on).

Year	Period	Target Performance Level	Improvement Plan Performance Level	Breach Performance Level	Default Performance Level
17/18	6	92.18%	91.18%	4% below Target	7% below Target
	7	92.22%	91.22%	4% below Target	7% below Target
	8	92.27%	91.27%	4% below Target	7% below Target
	9	92.32%	91.32%	4% below Target	7% below Target
	10	92.36%	91.36%	4% below Target	7% below Target



	11	92.41%	91.41%	4% below Target	7% below Target
	12	92.45%	91.45%	4% below Target	7% below Target
	13	92.50%	91.50%	4% below Target	7% below Target
18/19	1	92.50%	91.50%	4% below Target	7% below Target

- **Target Performance Level** – contractual target that ScotRail should achieve each period.
- **Improvement Plan Performance Level** – PIP required when performance is below this level.
- **Breach Performance Level** – if performance is below this level, the Franchisee has contravened a term of the Franchise Agreement and Ministers can require ScotRail to provide a Remedial Plan setting out recovery steps to achieving the performance targets.
- **Default Performance Level** – performance below this level in:
  - (a) any 3 consecutive Reporting Periods;
  - (b) any 4 Reporting Periods within a period of 13 consecutive Reporting Periods;
  - or
  - (c) any 5 Reporting Periods within a period of 26 consecutive Reporting Periods

is an Event of Default and could allow for termination of the Franchise Agreement if the conditions set out in schedule 10.2 are fulfilled.

## TRACK ACCESS AGREEMENT (TAA)

22. ScotRail has a TAA with Network Rail. This is an industry agreement between each train operating company and Network Rail which permits the train operator to provide the passenger services on track operated by Network Rail.

23. The TAA between ScotRail and Network Rail contains a performance threshold which Network Rail is required to achieve and these are specified by the Office of Road and Rail (ORR). Network Rail has breached the threshold (13 period average triggers a certain level of about 10% above target) since period 1 (18/19).

24. The table below illustrates the performance delay split for Network Rail vs ScotRail and other train operators. This shows that Network Rail contributes to over 50% of performance delays every period, and has increased significantly beyond that in the last two periods (P3 – 72%; P4 – 69%).

## DELAY SPLIT FOR SCOTRAIL VS OTHER TOCS/ NETWORK RAIL

Period	Network Rail	ScotRail	Passenger Operators	Freight Operators
2017/18 P10	54%	38%	6%	2%
2017/18 P11	55%	37%	6%	2%
2017/18 P12	56%	36%	6%	2%
2017/18 P13	57%	35%	6%	2%

2018/19_P01	<b>57%</b>	35%	6%	2%
2018/19 P02	<b>59%</b>	32%	7%	2%
2018/19 P03	<b>72%</b>	21%	6%	2%
2018/19 P04	<b>69%</b>	25%	5%	1%

## **ANNEX B**

### **SCOTRAIL FRANCHISE AGREEMENT: REQUEST TO TEMPORARILY WAIVE ENFORCEMENT OF THE CONTRACTUAL PERFORMANCE PPM BENCHMARKS**

#### **INVESTMENT PLANNED TO ENHANCE THE RESILIENCE OF THE RAIL NETWORK**

25. The Minister may be aware the ScotRail Alliance implemented a Performance Improvement Plan (PIP) in autumn 2016. The PIP contained over 200 actions aimed at improving performance across infrastructure, train fleet, operations and customer experience.

26. Since the PIP was implemented ScotRail and Network Rail have continued to add further actions where it has been identified within the business that these will improve the reliability of the infrastructure or train fleet. Within the last year the actions delivered have helped to improve asset and fleet reliability.

- 4.8% reduction in asset failures in 2017/2018 compared to 2016/ 2017
- 2.3% improvement in fleet reliability in 2017/2018 compared to 2016/2017.

27. However, the PIP failed to deliver a sustained overall improvement in performance, and disappointing results during autumn and early winter 2017, required the ScotRail Alliance to develop and deliver a further Performance Improvement Plan, known as the Donovan Review.

28. Since the Donovan Review recommendations were published in late March 2018, the ScotRail Alliance have been progressing with the 20 recommendations with the suspension of skip stopping, except as a last resort already being implemented. Several of the actions will be implemented over the coming months such as right time departures to support performance at the most congested parts of the network which have a knock on impact to other services/ routes (Milngavie/ Whifflet), along with an enhanced Autumn preparedness plan (separate briefing has been provided to you on the plans).

29. In addition to the above, significant investment is being planned by Network Rail and ScotRail to enhance the resilience of the network over the coming year. These include:

- £34 million investment to enhance maintenance and operations through bridge repairs, lineside vegetation clearance, security fencing to reduce trespass and animal incursions, upgrade power supply equipment etc.
- £5 million investment in the Glasgow area with a specific focus on key assets over the next 8 months. This is in response to the increase in asset failures across the network around Glasgow.
- £3.65 million to deliver a programme of fleet reliability performance.
- With the recent unprecedented hot weather the ScotRail Alliance is also undertaking a review with a view to learn lessons of issues experienced in late June / early July.

30. The investment planned provides TS with a level of comfort that the industry is taking action to support performance improvement which will assist their ability to meet contractual performance levels on a sustained basis. We will continue to monitor and challenge delivery of these actions over the coming year.

## ANNEX C

### SCOTRAIL FRANCHISE AGREEMENT: REQUEST TO TEMPORARILY WAIVE ENFORCEMENT OF THE CONTRACTUAL PERFORMANCE PPM BENCHMARKS

#### CONTRACTUAL CONSIDERATIONS

31. In the event Scottish Ministers were not inclined to temporarily waive enforcement of the contractual performance benchmarks for PPM, and ScotRail fall into Breach Performance Level, we have considered the likely implications.

32. As noted in Paragraph 11, ScotRail would be required to notify Scottish Ministers they had reached the Breach Performance Level. It will then be for Scottish Ministers to decide whether they wish to issue a Remedial Plan Notice to the Franchisee.

33. In the event, a Remedial Plan Notice was issued, ScotRail would be required to develop a Remedial Plan to the satisfaction of Scottish Ministers, which could then form a Remedial Agreement. If such an Agreement were to prove unsuccessful in improving performance, the issue could be seen as “unremedied” leading to an Event of Default. That classification provides Scottish Ministers with options to terminate the contract early (provided the conditions set out in schedule 10.2 – Termination and Expiry – are fulfilled).

34. It is our understanding that the risk of ScotRail falling below the Breach Performance Level would persist until the end of December 2018. Therefore in terms of handling, there will be interest in the ScotRail position every four weeks, when the PPM figures are published.

35. It is therefore our recommendation to set a clear temporary position on waiving our rights to enforce Benchmark Levels, on the proviso that performance does not fall more than 1% below those levels (and subject to the conditions set out in the body of this submission), giving consideration to unprecedented challenges largely out with the direct control of ScotRail. The additional time will also allow key medium term Donovan Recommendations to be embedded and assessed during the course of 2018.

36. In the scenario where ScotRail performance falls more than 1% below the Breach Performance Level, the option to require a Remedial Plan and subsequent Agreement will remain available to Ministers.

#### Railways Act 1993

37. Section 55 of the Railways Act 1993 provides that where a franchisee is contravening or is likely to contravene a term of the Franchise Agreement, Ministers are under a duty to make a provisional or final order for the purpose of securing compliance with any such term.

38. However, section 55(5B) provides that if Ministers are satisfied that:

1. the relevant operator has agreed to take and is taking all such steps as they consider appropriate to take for the purpose of securing or facilitating compliance with the condition or requirement in question; or

2. that the contravention will not adversely affect the interests of users of railway services or lead to any increase in public expenditure;

they must only make such an order if they consider it appropriate to do so.

39. If Ministers consider that one or other of the conditions in s55(5B) is fulfilled in this case, then it would appear open to Ministers to exercise their discretion not to make an order to enforce compliance with the benchmark levels. Based on the current detailed Performance Improvement Plan in place (the Donovan Review), and the specific measures contained in that review to address infrastructure (Network Rail) root causes, our view is that 1) appropriate steps to ensure compliance are underway; and 2) the planned actions are designed to act in the interests of users of the railway by delivery of sustained improved performance.

40. In terms of notification of such a decision, although some decisions not to make an order under section 55 require to be published on the Public Register, a decision by Ministers under section 55(5B) is not one of them.

## **ANNEX D**

### **SCOTRAIL FRANCHISE AGREEMENT: REQUEST TO TEMPORARILY WAIVE ENFORCEMENT OF THE CONTRACTUAL PERFORMANCE PPM BENCHMARKS**

#### **COMMUNICATIONS – REACTIVE LINES**

“The unprecedented weather experienced has quite rightly been taken in account, as per the franchise agreement, for the period in question. Any suggestion ScotRail is ‘fiddling the figures’ is misguided we monitor the contractual targets at various forums. As has been stated on many previous occasions, Ministers expect the ScotRail Alliance to work closely together to build on lessons learned going forward.

“We have already secured the right for a public sector operator to bid for a rail franchise in Scotland – after being denied by previous UK Governments, which will enable a level playing field between the private and public sector in bidding for rail franchises for the benefit of passengers and best value for the public purse.

“We should not lose sight of the transformational process underway on our railways including the infrastructure enhancements, as well as the introduction of new and fully refurbished rolling stock with the additional services that they will provide. All this is building the best railway Scotland has ever had and with that overall performance should improve moving forward.”

#### **Background**

- In recent years 160 extra carriages were added to ScotRail’s fleet with an extra 200 to follow in the next 12 months giving a 50% increase in carriages since 2007.
- Transport Scotland report on the contractual targets in various formats including franchise meeting minutes



By Email

[REDACTED]  
ScotRail Franchise Manager –  
Performance Improvement/ Projects & Investment  
Transport Scotland

Date: 8 August 2018

Dear [REDACTED]

**PPM Benchmarks**

Thank you for your email of 3<sup>rd</sup> July 2018 requesting further information in relation to our proposed variation request, to temporarily reduce the PPM Benchmarks for Improvement Plan Level and Breach Performance Level by 1%.

**Scope of Request**

Firstly, I would like to take this opportunity to clarify that the scope of the request is until the start of Period 5 19/20 based on the ongoing impact of localised Network Rail poor performance in Periods 1-4 18/19, as further described below, on the MAA figures during that period. As you will be aware, due to MAA being a "lagging indicator" the impact of this historic performance will continue to significantly suppress the MAA figure during this period, even if both Network Rail and ScotRail consistently achieve our periodic performance targets over the next 13 periods.

In my original letter I also highlighted the need to consider, from a Franchise management perspective, the PPM impact and associated contractual implications of our change of policy on skip-stopping. After further discussion with you we have agreed that it would be appropriate to consider this issue separately, as further described below.

**Response to queries**

In response to the specific queries raised in your correspondence of 3<sup>rd</sup> July, please find our comments below: -

***Underperformance of Network Rail – TS are regularly advised that incidents have gone down, but impact has gone up. This has been explained as a result of more trains, yet we are not aware of areas where significant increases have been seen, so would appreciate the supporting analysis of this, showing where delays have increased as a result of more services. As part of the ScotRail Alliance, how do you intend to work together with Network Rail to address and improve upon these issues?***

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It is correct to say that the number of services operated by ScotRail (and therefore the busyness of the network) continues to grow materially year-on-year, as illustrated by the graph below, which shows the increase in the MAA number of trains operated per period since 2006/2007 (a 7.5% cumulative increase during that period; and a 1.8% annual increase between 16/17 and 17/18). This trend is also illustrated by an increase in the volume of fleet miles by an estimated 15% since the start of the Abellio ScotRail Franchise. The phased implementation of Revolution in Rail timetable enhancements from December 2018 onwards looks set to see this trend continue in the immediate future.



Significant analysis and evidence was provided within the Donovan Report illustrating a long-term trend of incidents reducing but impact increasing. This remains true and may have been exacerbated by the change in skip stop strategy, as highlighted in my previous letter. However, when comparing periods 1-3 of 2017/18 to 2018/19 there are 3 key points to note:

- As highlighted in our previous letter, the decline in PPM this year is due to a deterioration of Network Rail performance, with Network Rail being 47% worse than target for year to date as at 12<sup>th</sup> July 2018 for PPM failures and ScotRail 13% ahead of target. As further illustration of this trend, ScotRail now understands that

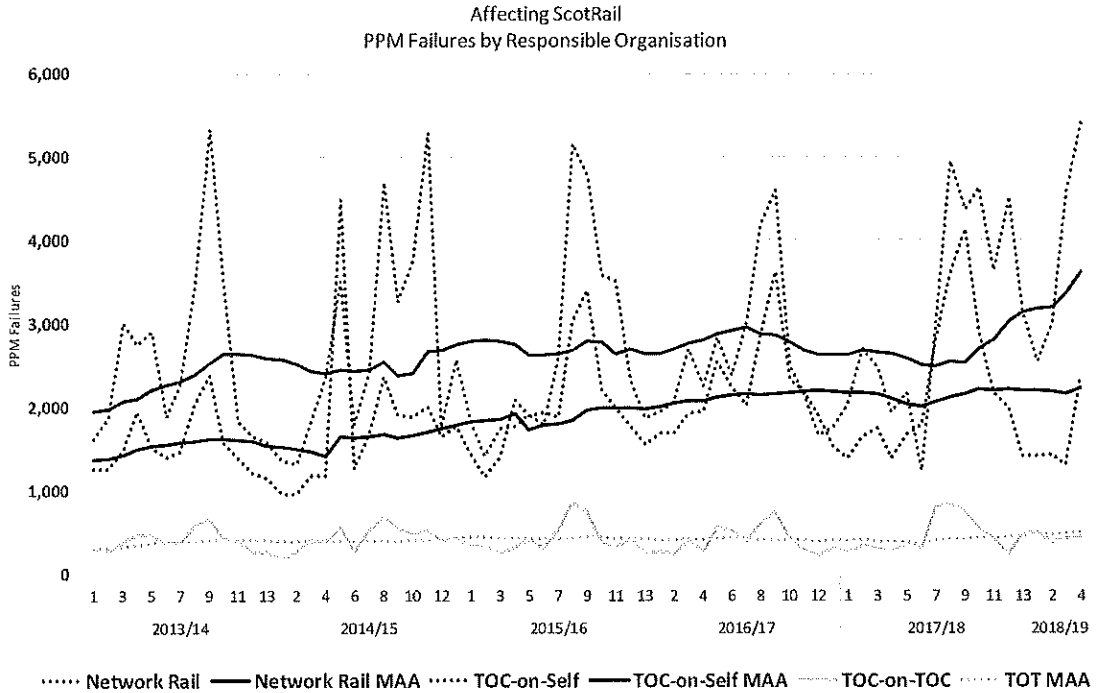
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Network Rail has significantly exceeded the contractual thresholds specified by the ORR within our Track Access Contract for "Sustained Poor Performance" under the Schedule 8 regime from Period 1 2018 onwards.



- Glasgow Delivery Unit asset reliability has been trending poorly. Due to the more intensive use of the rail network in the Glasgow area, each asset failure results in double the number of PPMf as compared to the Scottish average. Glasgow DU has seen an 18% increase in asset failures compared to P1-3 last year and this deterioration in performance is being compounded by an increasing number of PPMf per incident – up from 8.9 per incident in 2017/18 to 11.1. This will be exacerbated when the P4 numbers are added as Glasgow DU is again the worst performer in Scotland being 111% behind target in P4 with 2 days to go in the period.

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Table 1 - NR Scotland Asset Failures (Excluding Telecomms) P1-3 Comparison by Delivery Unit

Delivery Unit	Incidents				PPM Failures				PPMF per Incident	
	Actual		Year on Year		Actual		Year on Year		17/18	18/19
	17/18	18/19	Variance	% Var	17/18	18/19	Variance	% Var	17/18	18/19
Edinburgh	105	113	8	7%	499	661	162	24%	4.8	5.8
Glasgow	133	170	37	22%	1,183	1,879	695	37%	8.9	11.1
Motherwell	236	210	-26	-12%	832	859	27	3%	3.5	4.1
Perth	140	138	-2	-1%	271	291	20	7%	1.9	2.1
<b>Scotland Route</b>	<b>614</b>	<b>631</b>	<b>17</b>	<b>3%</b>	<b>2,786</b>	<b>3,690</b>	<b>904</b>	<b>25%</b>	<b>4.5</b>	<b>5.8</b>

- Asset failures on the critical assets across the Route are increasing. As shown below when split by Strategic Route Section criticality we have seen an increase on the more critical lines of Route. Criticality 2 SRS's (which includes the E&G, Glasgow Central, WCML) and 4 (which includes the congested North Electrics, Fife routes) have seen an increase. Conversely the only improvement year on year is shown in criticality 5 (WHL, Far North etc).

Criticality	1	2	3	4	5
P1-3 Actual	0	175	98	264	94
% YOY Change	-	3%	3%	6%	-21%

This message is also reiterated by looking at the biggest impacting 20 incidents affecting ScotRail in P1-3. 15 of the top 20 are asset failures at key locations across the network.

To tackle the Glasgow issues a specific focus on key assets in and around the city of Glasgow, entitled "The Glasgow Plan" is being created. It will cover the area around Cowlands, Knightswood, Hyndland, Shields, Barrhead, Busby, Newton, Rutherglen and Bellgrove. There are two key elements which will improve performance:

- Review maintenance and response organisation in and around Glasgow Central and Queen Street stations
- Identify areas where organisational change is required

The Glasgow Plan is currently being prepared for submission to the Alliance Exec and we will update Transport Scotland on progress at the next Performance Steering Group.

**Skip stopping – TS remain to be convinced that the reduction in the practice is having a significant impact on PPM failures. Can you provide further detail on the assertion that 25% of ppm failures were**

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***incurred for the flooding at Winchburgh by not applying skip stopping? Are there other examples you can provide?***

We have agreed to write to you separately from this request regarding the change of policy on skip stopping with a view to:-

- (i) presenting more detailed analysis to quantify the PPM impact of the change of policy; and
- (ii) seeking to agree the contractual status and treatment of the revised policy, including its implications for the PPM benchmarks, if any.

***With the level of infrastructure enhancements delivered in CP5, along with many of the original PIP actions delivered, can ScotRail comment on how these have contributed towards delivering performance improvement?***

Across 2017/18 156 PIPs were completed, which involved 1217 milestones. As per the Donovan Review these improved asset and fleet reliability last year:

- o 4.8% reduction in asset failures in 2017/18 compared to 2016/17
- o 2.3% improvement in MTIN in 2017/18 compared to 2016/17

If our infrastructure and fleet PIPs had not been in place and asset and fleet reliability remained the same, then 2017/18 PPM would have been 0.4% worse and PPM in 2017/18 would have been 89.0%.

***With further infrastructure investment of around £100m planned through the CP5 headroom to support resilience and the on-going delivery of actions recommended by the Donovan Review, can ScotRail quantify the performance gains that will/ could be achieved through the delivery of these initiatives?***

***TS believe the industry should be focussing on key areas where repeated infrastructure failures is an issue and requires to be addressed. This is an area that has been challenged as we do not feel the CP5 headroom is being use to tackle priority sites. We believe there is further possible mitigations to enhance performance reliability by making use of the CP5 headroom, for example why are key points for main routes at junctions like Shields Junction, Rutherglen, Uddingston and Newton, to name but a few, not being "Gold Plated" with duplicate tail cables, IBJ renewal, Location Cabinet detailed inspection, cable inspections etc. etc. A dedicated team, hired in by the Alliance, could deliver this vital work and help support the current maintenance teams. Evidence of recent failures, especially track circuits, suggest that with the excessive metal expansion due to the heat some of the kit may be prone to failure as we leave this hot spell.***

ASR rolling stock is currently operating slightly more reliably than specified in CO8.1 of the FA. However even as the number of failures is reducing, the impact they have is increasing because of the increasing busyness of the network. ASR is utilising NR's borrowing facility for CP5 to deliver a programme of projects to improve customer experience / satisfaction and also performance. In order to secure funding, ASR has to submit business cases. For example, we are now progressing a £3.65m project to deliver a programme of 7 fleet performance projects - £2.55m funding has been secured from Network Rail's existing borrowing facility for CP5 and ASR is investing £1.1m. The performance improvements are forecast to reduce fleet PPMf by almost 1000 pa – a reduction of 10%. Almost 40% of the benefit will be in the Autumn period with the remainder contributing to recovering the 2% drift in performance on "good days" as identified in the Donovan Independent Review.

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Separately Network Rail is delivering £34m on Enhanced maintenance and Operations from their existing borrowing facility. These are focusing on the following areas which will improve the resilience of the infrastructure:

- Accelerated renewals originally planned for control period 6, including bridge repairs & painting, rock cuttings, critical junction & tunnel lighting, signal improvements and level crossing improvements
- Improving welfare provision and rail access for maintenance staff working on the lines
- Investment in additional maintenance and operational support personnel
- Investment in lineside vegetation management to improve autumn train performance and further reduce risk to the railway
- Accelerated lineside security fencing to reduce trespass and animal incursions
- Infrastructure improvements to deliver performance benefits
- Accelerated refurbishment and painting of bridges to improve local environment
- Investment on maintenance activities to improve train performance across the Network Rail. This includes:
  - Enhanced maintenance on key corridors including North Electrics, Argyle Lines, Glasgow Central to Shields, Muirhouse and Rutherglen, Waverly to Newbridge and Inverkeithing, Perth to Hilton, and Motherwell to Lanark. Activities include renewal of points machines, upgrading of points equipment, cable renewals, new LED signals,
  - Drain train to work in low level tunnels, Falkirk High Tunnel and Winchburgh area
  - Improving track resilience for the onset of heat. This includes additional ballast drops, removal of wet beds and restressing of rail
  - Installation of new access points which will improve incident response, improve productivity and has safety benefits
  - Infrastructure resilience work on East Coast North for introduction of the HST fleet
  - Upgrading power supply equipment
- Investment in better equipment / plant and machinery for more efficient maintenance
- Land acquisition and land register in readiness for delivery of enhancements in CP6
- Forward procurement of key materials required for year 1 CP6 renewals programme

The scope and deliverability of this work-bank has only recently been agreed and work is now underway to understand the aggregate improvement in PPM which it will deliver. NR is reporting directly to TS as to how the CP5 borrowing facility is being utilised.

It is also worth noting in this context that recent PPM performance has been achieved against the backdrop of the delivery of a number of ongoing major CP5 infrastructure enhancement projects which would generally be expected to suppress PPM performance both directly due to the increased number of failures which can be expected following possession handbacks, commissioning etc and indirectly due to factors such as the constraints placed on renewals works and the removal of planned services at evenings (where PPM performance is generally higher). The longer-term impact of these enhancements on PPM can however be expected to be positive and will be factored into our forward-looking plans to deliver 92.5% as soon as possible.

***Can ScotRail share projections that illustrate when they believe they would be in a position to deliver the key output of 92.5%, along with analysis which sets out when ScotRail is likely to achieve 90.5% PPM MAA.***

The Network Rail submission to the ORR forecasted 91.5% PPM in 2019/20 and 92.5% in 2020/21 and beyond. This remains the current position of the Alliance.

In line with the Donovan review recommendation 20 (review of tools and processes for performance management), the performance team are producing a performance model, which first output should be available by 16th August. This will enable us to forecast future performance more accurately based on our high-level initiatives and risk, plus

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updated information based on recent NR performance. Outputs from this model, including the requested updated projections for future performance will be shared with Transport Scotland as soon as they become available.

In the context of this request, I would note that this is time restricted and does not change the overall Franchise PPM target of 92.5%. I would further note in support of this request that the Donovan Report identified the amount of time spent by performance professionals in analysing lagging indicators (such as current MAA) as a risk to the delivery of a longer term strategic approach to performance necessary to achieve a sustainable 92.5% PPM MAA. We would therefore suggest this temporary derogation request would be of great assistance to the performance team in providing the necessary "breathing space" to continue implementing the Donovan Report recommendations and achieving the long-term change (within both sides of the Alliance) that is necessary to achieve the key output of 92.5% sustainably and as soon as possible.

I hope the above is of assistance in considering our request. We would of course be pleased to meet with and discuss any of the above with Transport Scotland further

Regards,

Yours sincerely

Head of Franchise  
Abellio ScotRail Limited

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[REDACTED]

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**From:** [REDACTED]  
**Sent:** 03 July 2018 14:53  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** FW: PPM Benchmarks

Hi [REDACTED]

Thank you for your letter dated, 22 June 2018, requesting a proposed variation to the PPM benchmarks for Improvement Plan Performance Level from the contractual 91.5% to 90.5% PPM MAA and the Breach Performance Level from 88.5% to 87.5% PPM MAA, with effect from year 5 (19/20).

To allow TS to review the request we would like to provide comment on the letter and ask that ScotRail provide further clarity and supporting analysis.

- Underperformance of Network Rail – TS are regularly advised that incidents have gone down, but impact has gone up. This has been explained as a result of more trains, yet we are not aware of areas where significant increases have been seen, so would appreciate the supporting analysis of this, showing where delays have increased as a result of more services. As part of the ScotRail Alliance, how do you intend to work together with Network Rail to address and improve upon these issues?
- Skip stopping – TS remain to be convinced that the reduction in the practice is having a significant impact on PPM failures. Can you provide further detail on the assertion that 25% of ppm failures were incurred for the flooding at Winchburgh by not applying skip stopping? Are there other examples you can provide?
- With the level of infrastructure enhancements delivered in CP5, along with many of the original PIP actions delivered, can ScotRail comment on how these have contributed towards delivering performance improvement?
- With further infrastructure investment of around £100m planned through the CP5 headroom to support resilience and the on-going delivery of actions recommended by the Donovan Review, can ScotRail quantify the performance gains that will/ could be achieved through the delivery of these initiatives?
- TS believe the industry should be focussing on key areas where repeated infrastructure failures is an issue and requires to be addressed. This is an area that has been challenged as we do not feel the CP5 headroom is being use to tackle priority sites. We believe there is further possible mitigations to enhance performance reliability by making use of the CP5 headroom, for example why are key points for main routes at junctions like Shields Junction, Rutherglen, Uddingston and Newton, to name but a few, not being “Gold Plated” with duplicate tail cables, IJB renewal, Location Cabinet detailed inspection, cable inspections etc. etc. A dedicated team, hired in by the Alliance, could deliver this vital work and help support the current maintenance teams. Evidence of recent failures, especially track circuits, suggest that with the excessive metal expansion due to the heat some of the kit may be prone to failure as we leave this hot spell.

- Can ScotRail share projections that illustrate when they believe they would be in a position to deliver the key output of 92.5%, along with analysis which sets out when ScotRail is likely to achieve 90.5% PPM MAA.

Happy to discuss any of the above points further.

Regards,

[REDACTED]

[REDACTED]

**ScotRail Franchise Manager – Performance Improvement/ Projects & Investment**  
Franchise Management Unit  
Rail Directorate

[REDACTED]

Transport Scotland  
Buchanan House  
58 Port Dundas Road  
Glasgow  
G4 0HF

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*Còmhhdail Alba, buidheann nàiseanta na còmhhdail*

**From:** [REDACTED]

**Sent:** 22 June 2018 16:46

**To:** [REDACTED]

**Cc:** [REDACTED]

[REDACTED]

**Subject:** PPM Benchmarks

Dear [REDACTED]

Further to our recent discussions, please see attached letter.

Have a good weekend.

Kind regards

[REDACTED]

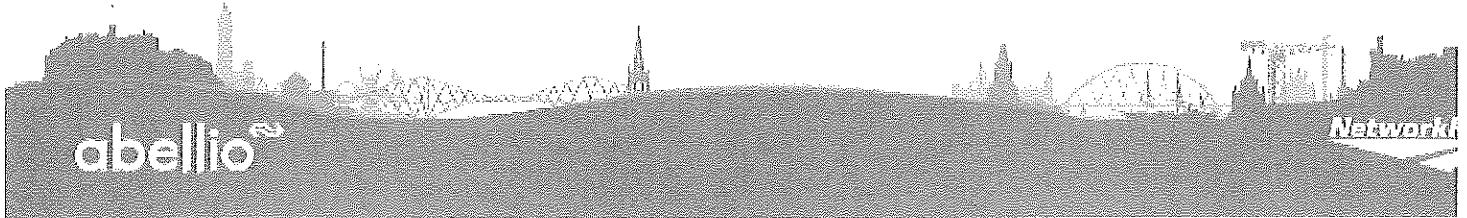
Classified as INTERNAL

[REDACTED]

**Head of Legal**



Atrium Court, 50 Waterloo St, Glasgow, G2 6HQ.



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[REDACTED]

**Subject:** Document 2 UNREDACTED - Submission - ScotRail's performance benchmarks email

**From:** [REDACTED]

**Sent:** 19 September 2018 13:43

**To:** [REDACTED]

**Cc:** [REDACTED]

**Subject:** [REDACTED]

Mr Matheson is now content but wants to be very clear with ScotRail that any further drop off in performance will be unacceptable and that this must be closely monitored by officials.

Also, he doesn't think the press lines reflect the reason why we are doing this – the first paragraph talks about weather but the paper states issues with cross border and Network Rail problems.

So we either need an explanation for this or the lines need to be amended – either way, he doesn't think they read very clearly so we should revise them in any case.

Thanks

[REDACTED] | Private Secretary to Michael Matheson MSP, Cabinet Secretary for Transport, Infrastructure and Connectivity  
The Scottish Government | St Andrew's House, Edinburgh, EH1 3DG | Web: [www.gov.scot](http://www.gov.scot)  
Tel: [REDACTED]

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**From:** [REDACTED]

**Sent:** 13 September 2018 12:46

**To:** [REDACTED]

**Cc:** [REDACTED]

[REDACTED]

**Subject:** [REDACTED]

[REDACTED]

ScotRail's request to temporarily waive enforcement of certain contractual PPM benchmarks is from reporting period 6 (18/19), which ends this Saturday 15 September, until the start of reporting period 5 (19/20) which is around mid-July 2019.

[REDACTED]

[REDACTED]

**ScotRail Franchise Manager – Performance Improvement/ Projects & Investment**  
Franchise Management Unit  
Rail Directorate

Telephone: [REDACTED]  
Blackberry: [REDACTED]

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*Còmhdaill Alba, buidheann nàiseanta na còmhdaill*

**From:** [REDACTED]

**Sent:** 13 September 2018 11:11

**To:** [REDACTED]

[REDACTED]

**Subject:** [REDACTED]

[REDACTED] – thanks for this. Mr Matheson has asked that if we proceed as outlined in paragraph 13, would this only be until December 2018

Grateful for confirmation.

Thanks

[REDACTED]

[REDACTED] | Private Secretary to Michael Matheson MSP, Cabinet Secretary for Transport, Infrastructure and Connectivity  
The Scottish Government | St Andrew's House, Edinburgh, EH1 3DG | Web: [www.gov.scot](http://www.gov.scot)  
Tel: [REDACTED]

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**From:** [REDACTED]  
**Sent:** 11 September 2018 10:51  
**To:** [REDACTED]  
**Cc:** [REDACTED]

**Subject:** [REDACTED]

Re-sending to include the Cabinet Secretary this time.

Regards,

[REDACTED]

[REDACTED]  
**ScotRail Franchise Manager – Performance Improvement/ Projects & Investment**  
Franchise Management Unit  
Rail Directorate

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Transport Scotland, the national transport agency  
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**From:** [REDACTED]  
**Sent:** 11 September 2018 10:45  
**To:** [REDACTED]  
**Cc:** [REDACTED]

**Subject:** Submission - ScotRail's performance benchmarks

Cabinet Secretary,

Please find attached a submission which seeks your approval to temporarily waive enforcement of certain contractual PPM benchmarks contained in the Franchise Agreement.

TS officials would be happy to talk you through the details further if required. If possible, a response by Monday 17 September would be appreciated.

Regards,

[REDACTED]

[REDACTED]  
**ScotRail Franchise Manager – Performance Improvement/ Projects & Investment**  
Franchise Management Unit  
Rail Directorate

Telephone: [REDACTED]  
Blackberry: [REDACTED]

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