



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 3rd 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.

[REDACTED]

Response to queries

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

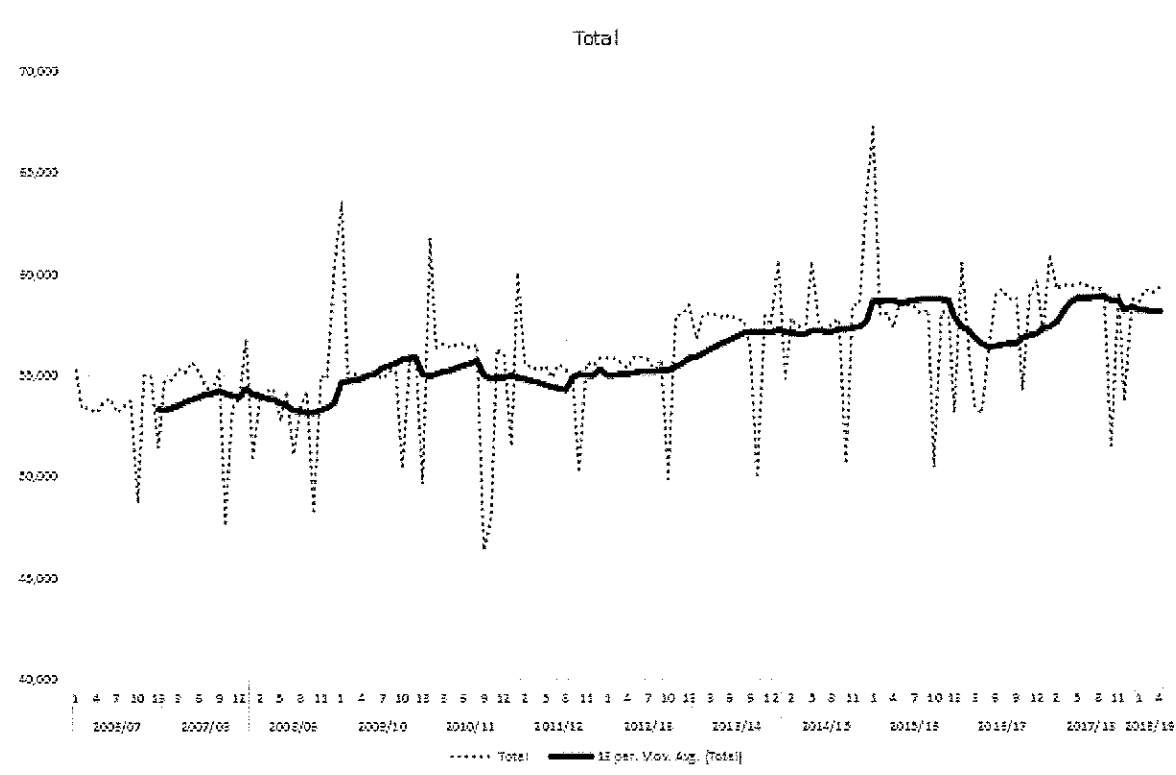
Underperformance of Network Rail – TS are regularly advised that incidents have gone down, but impact has gone up. This has been explained as a result of more trains, yet we are not aware of areas where significant increases have been seen, so would appreciate the supporting analysis of this, showing 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:

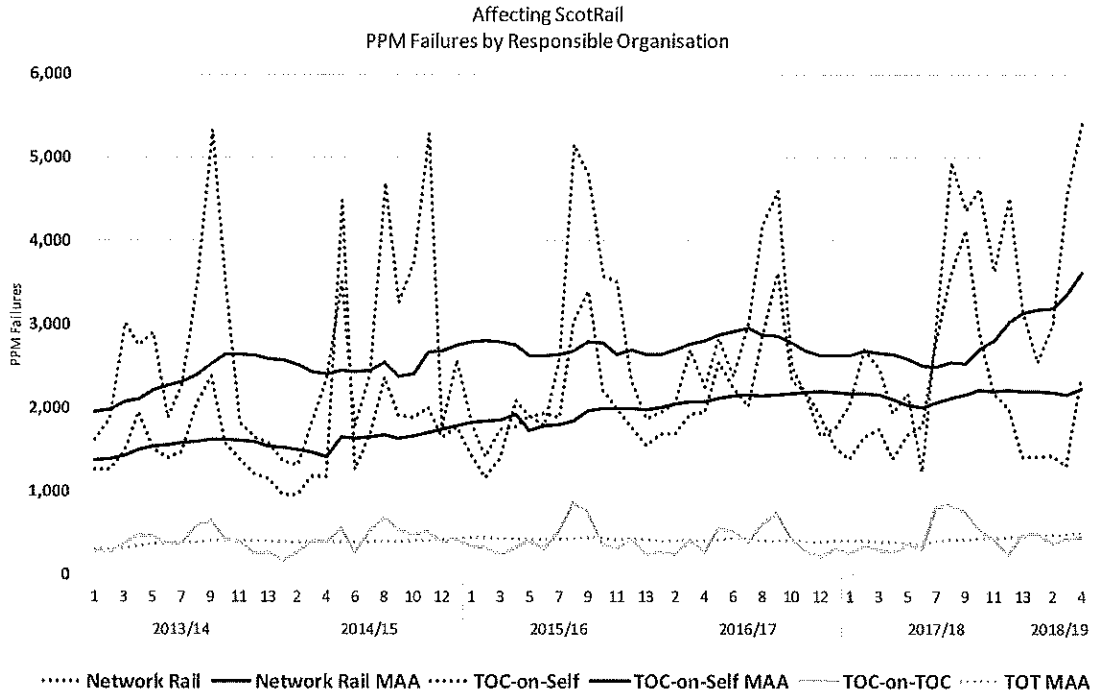
- As highlighted in our previous letter, the decline in PPM this year is due to a deterioration of Network Rail performance, with Network Rail being 47% worse than target for year to date as at 12th July 2018 for PPM failures and ScotRail 13% ahead of target. As further illustration of this trend, ScotRail 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
Scotland Route	614	631	17	3%	2,786	3,690	904	25%	4.5	5.8

- 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 Cowairs, 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.

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[REDACTED]

[REDACTED]

[REDACTED]

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, 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.

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.



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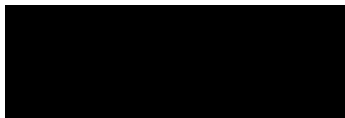
updated information based on recent NR performance. Outputs from this model, including the requested updated projections for future performance will be shared with Transport Scotland as soon as they become available.

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]

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?

[REDACTED]

- 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, 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.

- 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]

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Glasgow
G4 0HF

For agency and travel information visit our [website](#)

Transport Scotland, the national transport agency
Còmhhdail Alba, buidheann nàiseanta na còmhhdail

From: [REDACTED]

Sent: 22 June 2018 16:46

To: [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



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
- [REDACTED]

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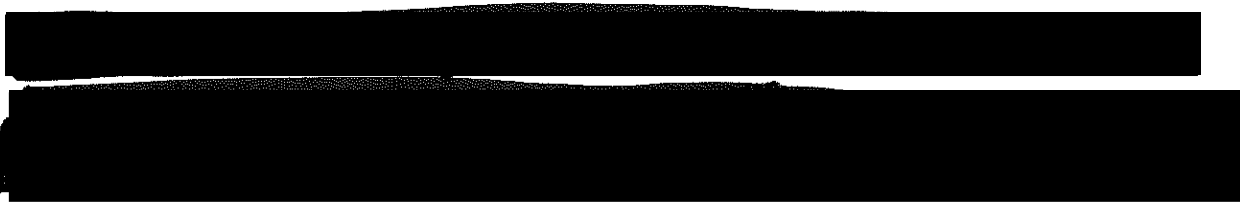
Table 1 - PPM Failures by Responsibility Year to Date to 12th June

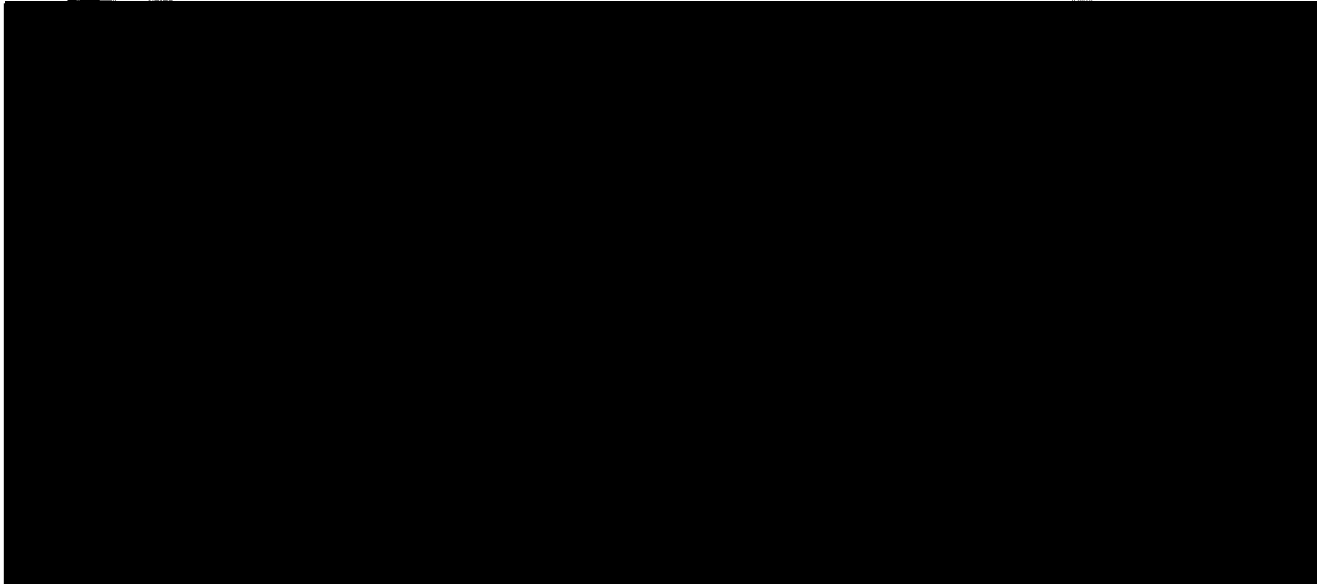
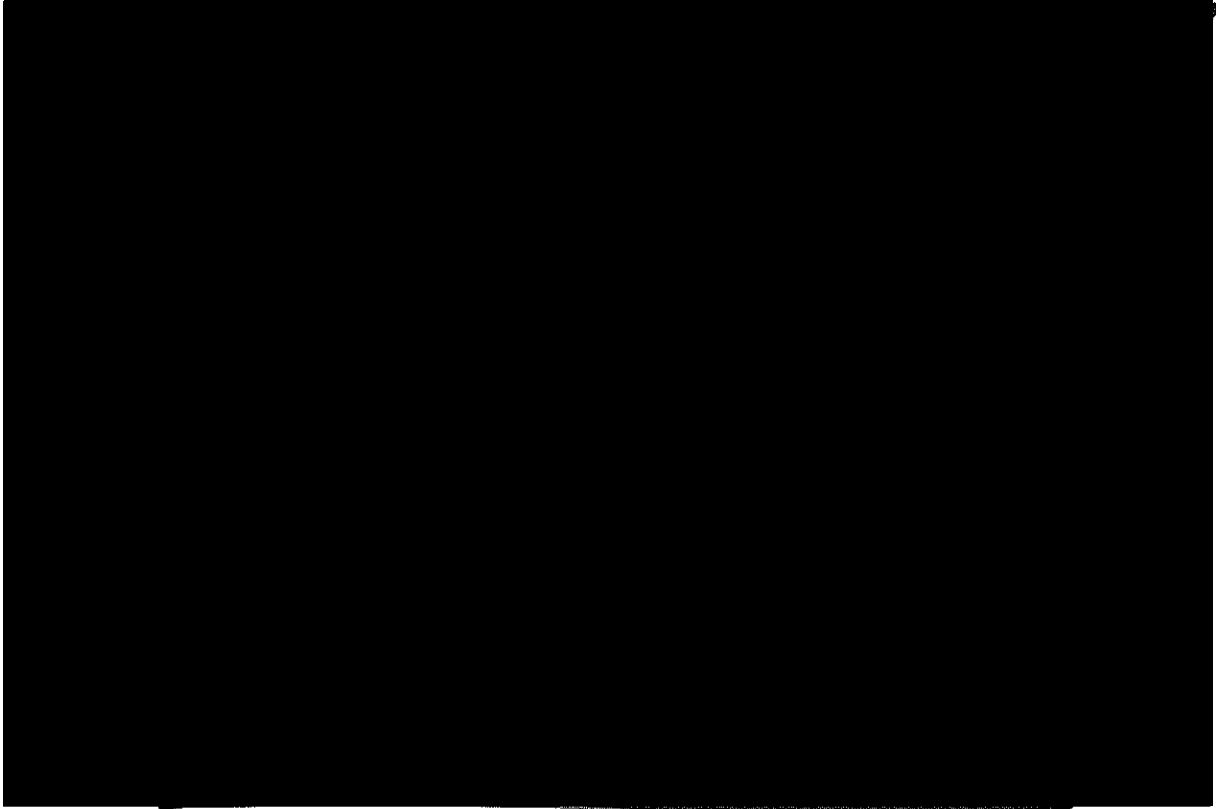
Responsibility	Target	Actuals	Variance	% Variance
ScotRail	4372	3788	-584	-13%
Network Rail	5814	8533	2719	47%
TOC on TOC	1007	1107	100	10%
Unattributed	417	443	26	6%
Total	11610	13871	2261	20%

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%
Total	8,314	8,878	9,744	10%	-	-	-





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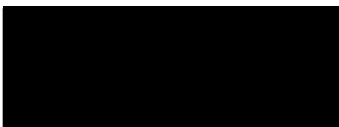


When this reduction in service recovery is added to the worsening NR performance, our expected performance improvement plans and strategic Donovan Review recommendations based on the balance of improvement initiatives and risks, we think reducing the PIP threshold to 90.5% would be an appropriate measure 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



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