

Paul McMahon
Deputy Director
Competition and Regulatory Economics
Office of Rail Regulation
One Kemble Street
London WC2B 4AN

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Our Ref: PS/DMS199850

Dear Mr McMahon

Periodic Review 2008 – Draft Determination

PTEG welcomes the overall determination made by the ORR regarding the Network Rail funding requirement for Control Period 4. We agree that overall the package would appear to represent a balanced package of decisions and should be challenging but achievable. Network Rail needs to be funded to both deliver the current network on a highly reliable and quality basis, but also to needs to invest to meet the continuing strong growth that the network has been experiencing. The PTE rail networks play an important part in delivering the local transport needs of the major metropolitan areas, and also are at the heart of wider regional networks. The growth in rail travel for all the PTE areas has been considerable and all the networks are coming under increasing pressure.

PTEG understands the overriding requirement placed on the ORR to meet the requirements specified by the DfT in the High Level Output Specification, but would highlight that other funders and specifiers also have objectives that the rail network needs to satisfy. Network Rail therefore needs to be focused on not only meeting the narrow requirements of HLOS, but delivering in the wider policy context. It is likely that, in the context of the Local Transport Bill, regional influence on the whole of transport policy, including rail, will increase during CP4, and it is vital that Network Rail and the wider rail industry is able to meet the challenges that are placed upon it.

PTEG has a number of specific comments it wishes to make on the draft determination as outlined below.

Enhancements

PTEG welcomes the investment that has been confirmed for PTE areas, however we are concerned that the focus on purely meeting the conservative HLOS growth estimates means that the PTE networks may not receive funding for a number of enhancement schemes that we consider necessary to cater for the actual growth that is likely to materialise. The responses from individual PTEs will highlight specific

local concerns, however PTEG would like the ORR to consider whether there is a mechanism within the Periodic Review for allocating some funding towards a project that delivers significant local transport as well as wider rail benefits, but which cannot be justified on the narrow HLOS criteria alone. This would then allow PTEs and other potential funding partners the opportunity to obtain partnership funding from other sources (such as through the Regional Funding Allocation) and allow the project to be implemented. This could represent the only way to deliver certain schemes that would otherwise struggle to obtain funding from a single funding source.

Performance

PTEG welcomes the commitment to deliver continued performance improvements. This is particularly important given the current level of delays caused by Network Rail. We recognise that using PPM as the primary measure of performance was specified in the HLOS and that this is currently the national standard measure, however the ORR should recognise that PPM measure does have some particular shortcomings and it is important that Network Rail continues to be incentivised across a range of measures.

PTEG welcomes the proposals to make the agreed performance plans between the TOCs and Network Rail enforceable and would wish that these can be published so as to allow PTEs and other stakeholders a clear understanding of what performance improvements the industry is expected to deliver.

PTEG will take a keen interest in the proposed £160m package of performance improvements that the draft determination identifies. We believe that there are a number of specific measures that Network Rail could take to make the network more robust. In particular Network Rail should be taking more action to mitigate the effects of road vehicles striking bridges and severe weather on the network. We have also noted the fragility of some of the signalling equipment that has recently been installed and it is imperative that the major re-signalling programme during CP4 does not create a significant performance risk.

Capacity Charge

PTEG has previously written to the ORR regarding its concerns about the capacity charge and we continue to consider that this remains a key issue for funders proposing to support additional rail services. The high level of the charge and the lack of apparent link to Network Rail's additional costs makes it an unavoidable burden with little obvious justification. We believe there should be a fundamental review of this charge as part of any future reviews of access charges if significant change is not possible this time. As it currently stands, even with the minor modifications that are proposed, this charge is likely to create an obstacle to our ability to develop services to the extent we would wish.

Network Rail Outputs

It is disappointing there are no Environmental factors in the list of Outputs, especially since the Network Rail proposals in the Strategic Business Plan are poorly defined. As part of the earlier consultation process PTEG made representations seeking targets for three additional areas:

- Clearance of weeds and vegetation management;
- Clearance of lineside litter and debris; and
- Clearance of graffiti.

The Office of Rail Regulation should give consideration to including these and other environmental targets (for example for sustainable design and use of buildings) within the Network Rail Outputs.

Delivery

PTEG welcomes the level of engagement it has had with Network Rail during the development of its Strategic Business Plan, but is concerned whether the company is adequately resourced and structured in order to deliver the proposals contained within the plan. The SBP represents a considerable expansion of its enhancement activity and it is important that it has sufficient resources to deliver both its core operations, maintenance and renewals functions plus the enhancement activity. PTEG is particularly concerned that if there is pressure on resources then it is likely to be third party projects that suffer given the imperative to deliver the regulated outputs of the SBP. We would also like to see a more streamlined decision making process within Network Rail that sees more delegated authority being given to local managers in order to speed the delivery of projects.

Production of the delivery plan is therefore a key element of the process, and we hope that Network Rail and the ORR are able to reach a clear agreement on the level of efficiency savings that are believed to be achievable. The very useful work that has been done on benchmarking against other organisations needs to feed through into a more cost effective railway for the nation.

We are happy to discuss further any aspects of this response.

Yours sincerely

Peter Sargant
Chair, PTEG Rail Group