

Andrew Eyles
Office of Rail Regulation
1 Kemble Street
London
WC2B 4AN

Andrew.eyles@orr.gsi.gov.uk

NICK BISSON
DIRECTOR, RAIL POLICY
ZONE 3/18
GREAT MINSTER HOUSE
33 HORSEFERRY ROAD
LONDON SW1P 4DR

Direct line: 020 7944 4250
GTN: 3533
Nick.bisson@dft.gsi.gov.uk
Web site: www.dft.gov.uk

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Dear Andrew,

This letter is the Department for Transport's response to the Office of Rail Regulation's (ORR) consultation on proposals to formalise the Rail Delivery Group (RDG), published on 18 July 2012. The points contained in our response have been the subject of discussion with both the ORR and the RDG.

Introduction

The Government welcomed the establishment of the RDG in May 2011, and subsequently in the March 2012 Command Paper – *Reforming our Railways: Putting the Customer First*. The success of the RDG is crucial if the industry is to meet the significant challenge to reduce the cost of running the railway, and to better serve the industry's passengers and freight customers.

The Department strongly agrees with the need for the role and governance of the RDG to be formalised so that it is best placed to lead change in the future. In that context, it welcomes the ORR's consultation and the proposals therein.

Engagement with stakeholders

The Department also welcomes the proposed formalisation of relationships with the RDG's stakeholders, with the establishment of different categories of RDG membership. The Government's rail reform strategy, encapsulated in the Command Paper, was generated through close working with a wide range of stakeholders. Equally, in delivering rail reform, it will be important for the RDG to secure buy-in through the involvement of key parties, including rail employees/their representatives, ROSCOs and the supply chain. The Department notes and welcomes the RDG's involvement of stakeholders where appropriate on its working groups, with for instance a member of the supply chain leading the workbank planning workstream.

Competition

The ORR is right to highlight in its consultation the importance of the RDG complying with competition laws. The consultation sets out the RDG's intention to produce a document providing examples of how RDG business should and should not be conducted, in order to ensure that the principles of competition law are upheld. We welcome this, and look forward to working with both the RDG and the ORR as thinking develops.

RDG workplan

The RDG has over the past year worked to establish its priorities for improving the cost effectiveness of the railway, and has now created a clear plan of milestones to work towards across a range of workstreams. The Department welcomes these plans, in particular because of the confidence they generate that the RDG is successfully taking forward the rail reform agenda within the industry.

The Department notes in particular the progress that is already being made on pilots on improved asset management, including on access planning, contingency costs and workbank planning. These are concrete examples of how the high level savings ambition from the Command Paper will be brought about. The case of the Midland Main Line access planning pilot shows how reducing the length of possessions and moving from Sunday working to more weekday night working can reduce the cost of possessions at the same time as reducing the disruption to passengers. There will also be scope to bring in more revenue as the demand for weekend travel increases. Successful pilots will be rolled out to more areas as appropriate, bringing further savings.

RDG and the High Level Output Specification

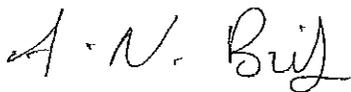
Finally, the Department has recently published its High Level Output Specification and Statement of Funds Available (SoFA). As the RDG leads in co-ordinating the rail industry's response, it is crucial that it pushes the industry to generate solutions that improve on the Department's illustrative option, delivering the outputs required for less money than is specified in the SoFA. We look forward to working with the RDG to test and improve the propositions over the coming months as the Strategic Business Plan is developed.

Future responsibilities

The Rail Command Paper sets out Government's aim to decentralise functions away from Whitehall where appropriate. As the RDG's capacity and confidence grows, there will be opportunities for Government to return key roles and responsibilities to the rail industry. Where the long term interests of passengers, freight customers and the wider public are enhanced by such changes, we will support such change.

I am copying this response as you request to Graham Smith at the Rail Delivery Group.

Yours sincerely,



Nick Bisson
Director – Rail Policy
Department for Transport