

# **ORR Consultation on Proposals To formalise the Rail Delivery Group Response by the Railway Industry Association, September 2012**



## **Railway Industry Association**

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1. This document forms the response by the Railway Industry Association ('the Association' or 'RIA') to the consultation on formalising the Rail Delivery Group (RDG) published by the Office of Rail Regulation on 18 July 2012. It first addresses a number of strategic issues, and where appropriate then responds to the specific questions listed in the ORR paper.

2. RIA is the representative body for the UK-based railway supply sector, with more than 170 member companies from across the entire field of railway supply. Members include manufacturers, consultancies, contractors and numerous specialist service providers. Most major supply companies are members, together with many SMEs. The supply sector is believed to employ some 80,000 - 90,000 people in total, roughly equivalent to Network Rail and the mainline passenger and freight train operating companies.

3. RIA member companies accordingly have a major stake in the successful future of the UK railway industry as a whole. They are the source of much of the innovation in the industry, and take major commercial risks in the conduct of their rail businesses. A number have balance sheets and turnover volumes comparable with or greater than those of the other industry parties.

4. RIA is accordingly strongly supportive of RDG as a mechanism to improve the efficiency of the industry and to strengthen its future. We welcome the steps that RDG is taking to engage with the supply sector: briefings provided at each meeting of RIA Council; bilateral discussions with the Director General; the participation by the Director General and one RIA member company in the work of one of the RDG Working Groups; and the willingness being shown by RDG members to broaden suppliers' engagement with that WG more generally.

5. Nonetheless the Association is concerned that it is proposed that supply companies should not be accorded the status of leadership members, meaning that they will not normally be present at meetings of RDG's Board. It is in the Association's expectation

unlikely that this will allow full benefit to be taken of the cross-industry collaborative approach advocated by Sir Roy McNulty and several of the key industry players. It is RIA's expectation that RDG's deliberations would be better-informed were senior supply-side representatives to participate in them, and that RDG's subsequent decisions would have greater legitimacy across the supply sector accordingly.

6. It is recognised however that some of the key issues arise at the interface between Network Rail and train operators, that they will take time to overcome, and that RDG has not long been in existence. Nonetheless, as progress is made in resolving issues between NR and TOCs, it is important that the exclusion of the supply sector from lead membership status should be reconsidered.

7. In the meantime, the Association welcomes the expectation of active dialogue with RIA and with individual supply companies that RDG has expressed in its own response to the consultation. This is an important step, and one that merits being formalised. The Association therefore requests that RDG make a public commitment:

- to maintain the existing arrangements for collective dialogue between RDG and RIA;
- to have early discussion with suppliers on issues being debated within RDG and likely to impact on their businesses;
- to involve suppliers in any Working Groups addressing those issues;
- to review its membership at three-yearly intervals.

Such a commitment would provide the supply sector with a degree of assurance that its interests and potential contribution to whole-industry solutions can be taken into account before decisions are taken. For its part, RIA would be willing to work with RDG to facilitate the operational effectiveness of any arrangements needed to deliver the commitment.

8. As to the specific questions in the consultation paper:

1) Please comment on whether you consider that the purpose of RDG set out in paragraphs 2.3 to 2.5 will drive the changes and improvements envisaged by the McNulty study (*paragraph 2.6*).

The purpose should certainly be helpful in that respect. Without supply-side leadership participation, however, the supply sector cannot be assumed to be necessarily included in the references to the rail industry in para 2.3.

2) Are you content with the proposed structure of the RDG board set out in paragraphs 2.16 to 2.24, particularly in terms of scope of representation and the criteria for membership (*paragraph 2.25*)? and

3) Please comment on how you consider RDG could best engage with licensed and associate members. (*paragraph 2.30*).

See general observations above.

4) (For licensed train operators and Network Rail) - in view of these proposals would you be content to agree to the introduction of the new condition at Annex B into your licence? If not, what changes would you wish to see which would allow you to provide that agreement (*paragraph 2.41*)?

Not applicable to RIA. We assume that all licensed train operators have been consulted separately.

5) Will the proposed voting and quorum arrangements set out in paragraphs 2.45 to 2.47 provide you with assurance that decisions taken by RDG will have sufficient cross-industry support to justify implementation? (*paragraph 2.50*).

As noted above, RIA is strongly supportive of RDG. It is however plainly difficult for suppliers to be assured in advance that they will be able to support the implementation of decisions if they are not involved in their formulation at leadership level.

6) Are there any specific commercial protections that you consider will need to be included within the competition compliance document (*paragraph 2.53*)?

We are not currently aware of any need for commercial protections beyond those offered by general competition law.

7) Please comment on whether you consider the funding arrangements proposed in paragraphs 2.59 and 2.60 to be appropriate (*paragraph 2.61*).

We have no objection to the funding arrangements proposed given the context for which they are devised.

**Railway Industry Association**  
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