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James Osborn
Executive, Access & Licensing
Office of Rail and Road
25 Cabot Square
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08 December 2020

Dear James

Re: Hitachi Rail Limited - Application for Directions under Section 17 of the Railways Act 1993 – ORR letter of 01 December 2020.

Abellio East Midlands Limited (AEM) has reviewed the requests for further information contained within the ORRs letter of 01 December 2020 and hereby presents its response to the request made. **It should be noted that the detailed information provided is for the benefit of the ORR only and permission is not granted to share the information further without prior discussion and approval by EMR.**

The response here follows the format of the letter of 01 December 2020.

Clarifying Question/Query 1

So that we can understand the cost build-up for each of the services set out in the draft Depot Access Agreement (DAA), please provide us with Abellio East Midlands' (AEM) assumptions in respect of:

- a) direct hourly rate i.e. hourly rate for operational and engineering staff (technicians, assistants, depot drivers, shunters);*
- b) time assumed for each 'job' (i.e. exam labour); and*
- c) materials*

AEM directs the recipient to the supporting file **EMR NL Depot pricing overview – ORR response 08.12.20**

Clarifying question 1

Clarifying Question/Query 2

Both Hitachi and ORR note that two elements used to build up AEM's costs are AEM overheads and depot overheads. Please provide more detail on how AEM's overheads and depot overheads are calculated and then apportioned by AEM in accordance with depot usage by AEM and by its beneficiaries (including Hitachi).

AEM directs the recipient to the supporting file **EMR NL Depot pricing overview – ORR response 08.12.20 Clarifying question 2**

Clarifying Question/Query 3

Please provide an explanation of how overheads are calculated/allocated to each service identified in the price list.

Please provide more detail on how the cost of train movements is calculated in the NL Price List, including AEM's assumptions in respect of time required for each train movement and hourly rate of train drivers applied and the amount allocated to 'NL Depot Drivers and NL Operations' as identified in NL Cost Structure Analysis.

AEM directs the recipient to the supporting file **EMR NL Depot pricing overview – ORR response 08.12.20 Clarifying question 3**

Clarifying Question/Query 4

In addition to clarifying the points raised above, so that we can better understand how you have arrived at the charges proposed in the draft DAA, please provide the cost model and methodology AEM has used in calculating the charges incorporated into the draft DAA.

AEM directs the recipient to the supporting files to Clarifying questions 1 – 3 noted above – these files show the basis of source information used by EMR which directly lift from EMR's financial records. EMR asserts that this provides adequate detailed information to ORR on the methods and basis' used by EMR throughout this process.

Our aim in providing this level of detail is to demonstrate the accounting considerations which have been applied to this proposed agreement with Hitachi. These are the same financial structures which are in place with other beneficiaries of Neville Hill Depot. Should there be a requirement for further detail we would suggest this is conducted via a more formal audit process and on site review to appreciate the scale of operation.

Yours sincerely

[Redacted]

Commercial Regulatory Access Manager

[Redacted]