

1 Ely Place, London, EC1N 6RY

Mr Richard Gusanie  
Office of Rail Regulation  
1 Kemble Street  
London  
WC2B 4AN

**Abellio Group**  
1 Ely Place  
Second Floor  
London, EC1N 6RY  
United Kingdom  
www.abellio.com

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### **Periodic Review 2013: First Consultation**

I am pleased to submit herewith Abellio's comments on the ORR's first main consultation on the 2013 Periodic Review.

Abellio's general position is consistent with that of ATOC. We believe that the approach set out in the consultation document aligns with the context and overall objective of the Period Review, and we are happy to support the timetable of activities outlined in the Executive Summary.

For this reason our individual submission concentrates on high level themes, drawing on Abellio's experience and that of our operating company Northern Rail to exemplify our position.

### **Incentives**

Abellio is a strong supporter of increased incentives, especially through the type of 'alliance' structures between infrastructure owners and train operators that the McNulty report identified as vital to reducing whole industry costs.

### **Price control separation and Network Rail devolution**

Abellio strongly supports Network Rail's plans for greater responsibility at route level, and your associated proposals for incentives for operators to work closely with Network Rail to deliver efficiencies. This is fully in line with the 'alliance' structure described above.

The developed route structure should provide greater transparency for all parties. Abellio believes that it is vital that ORR builds on this opportunity by challenging Network Rail to set stretching yet realistic targets, at both local and national level.

### **Structure of charges**

Abellio strongly supports a review of existing charging mechanisms, with particular focus on reviewing charges that open access and freight operators currently pay. The principle here is of equitable treatment between these operators and the franchised TOCs, especially as open access and freight operators increasingly seek

Registered office:  
Abellio Transport Holdings Ltd  
5 Fleet Place  
London EC4M 7RD  
Registered in London  
Registered No. 5618463

increased access. As such, we believe that they should be subject to the same charge mechanisms as franchised operators.

Abellio also supports the principle of introducing a variable track usage charge which is geographically disaggregated. This would incentivise Network Rail to maximise access in a commercial manner consistent with a traditional customer/supplier relationship, and would align with the planned devolved route structures.

### **Outputs**

Abellio supports Network Rail being incentivised to meet national targets for the delivery of key outputs. A critical element is to ensure that Network Rail does not achieve national targets by balancing over delivery to one operator, at the expense of trading off under delivery to another. As such, Abellio believes targets should be disaggregated locally and monitored on a TOC by TOC basis. Local targets would also dovetail with the newly devolved route structure.

It is also important that outputs are measured over the duration of the control period, but monitored on a yearly basis, to ensure that sufficient progress is being made against targets and that they remain achievable. As an example, at Northern Rail, they and Network Rail have faced some difficult external challenges, such as cable theft and extreme weather conditions. Whilst Northern has worked hard to understand the effect of previous extreme weather events and to develop mitigating action plans, such events are clearly hard to predict and can adversely affect yearly outputs. Thus, a balance needs to be struck between having visibility of yearly outputs, and ensuring that there are measures in place to monitor control period outputs.

Abellio places the passenger at the heart of all that we do. As such, we would strongly advocate the introduction of a satisfaction measure directly relating to how Network Rail performance impacts on the ability of TOCs to deliver reliable and robust services to passengers. Our belief is that, whilst TOC satisfaction with Network Rail performance is currently measured (by GfK), this is too far removed from end users (passengers). A regulatory target measuring Network Rail's impact on passenger satisfaction would heighten awareness within Network Rail of their impact on passenger journeys, and bring benefits to passengers through an assumed reduction in delay minutes.

I would be happy to provide additional information or further clarification any of these points if that would be helpful.

Yours sincerely,

Anton Valk  
*Chief Executive*