

Northern Rail Ltd
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2 September 2011

Dear Richard,

Periodic Review 2013 - First Consultation

Thank you for the opportunity to comment on the first consultation document and for the workshop held on 21 July. Northern Rail is supportive in principal of the works that ORR is engaged in, in relation to Period Review 2013, and the approach that is set out in the consultation document appears to be clearly structured and aligns with the context and overall objective of the Period Review.

The timetable of activities that is outlined in the Executive Summary is transparent and the process to establish the outputs and access charge funding for Network Rail during CP5 is robust.

Outputs

Northern Rail supports an approach where Network Rail is incentivised to meet national targets for the delivery of key outputs. Northern Rail believes that targets should also be disaggregated locally and monitored on a TOC by TOC basis to ensure that Network Rail does not achieve national targets by balancing over delivery to one operator at the expense of under delivery to another. Local targets would also dovetail with the newly devolved route structure that Network Rail is currently implementing. Northern believes that this should be an iterative process, and Operators should work with the ORR as part of the target setting process and that targets should not simply be imposed.

It is important that outputs are measured for the duration of the control period with a year on year trajectory to ensure that targets remain achievable. Northern Rail and Network Rail has faced some tough challenges, such as cable theft and extreme weather in recent years which can adversely affect yearly outputs. A balance needs to be achieved between the visibility of yearly outputs and measures that are put in place to monitor control period outputs.

Network Rail has a licence obligation to supply customers with information during times of disruption in a timely manner. Northern Rail believes that Network Rail should be further incentivised to work with operators with the ultimate aim of delivering timely and accurate information to customers.

It would also be more beneficial for Network Rail to be measured on delivery throughout the year as opposed to a year end measure. This would focus Network Rail more effectively on continuous delivery.

Incentives

The McNulty report focuses heavily on the need to improve efficiency and reduce costs to the tax payer and the industry. Coupled with this Northern is supportive of proposals for train operators to work in partnership with Network Rail, in order to achieve an industry outcome in which costs are kept to a minimum. Northern Rail welcomes an approach that places incentives on both parties to work together more closely with the ultimate objective to reduce industry costs.

Structure of Charges

Northern Rail supports a review of existing charging mechanisms, with particular focus on reviewing charges that open access and freight operators currently pay. Open access and freight operators are seeking increased access to Network Rail's infrastructure, and therefore should be subject to the same charging mechanisms as franchised operators. In connection with this issue, Northern Rail also believes the industry needs to understand the cost allocation of each operating route, in order to establish the correct level of charges for each operator to pay.

Northern Rail also supports in principal the introduction of a variable track usage charge which is geographically disaggregated, as this would then align with devolved route structures within Network Rail.

Network Rail's devolved route structure should provide operators with greater transparency, which will facilitate regional efficiencies and support increased route level accountability and decision making. It is vital that ORR challenges Network Rail to set realistic yet challenging national and local targets.

As Northern Rail will interface with three newly devolved route structures, Northern Rail would expect to see a sharing of best practice to ensure a more balanced level of consistent delivery across the three routes.

If you require any further clarification of on the points raised in this letter please feel free to contact me.

Yours sincerely

Helen Cavanagh
Track Access Manager