

12 October 2011

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Dear Gian Carlo,

### **PR13 : Establishing Network Rail's Efficient Expenditure**

Rail Freight Group (RFG) is pleased to respond to the ORR's consultation on Establishing Network Rail's Efficient Expenditure.

Taken overall, we support the ORR's proposed approach to establishing the revenue requirement for PR13, and the appropriate level of efficiency. We note the increased focus on bottom up analysis to support the top down work which we agree is likely to add weight to the analysis.

For freight, the experience of PR08 was that, whilst the data quality for the major routes was reasonable, the available cost information for minor routes and particularly for freight only lines was, at best, patchy. The modelled results from the Infrastructure Cost Model were, as a consequence, less than robust in some cases. Whilst we understand that different approaches are likely to be used for PR13, it will still be vital that data quality is sufficiently accurate. The disaggregation of costs by route makes this even more critical; if Network Rail could not accurately assess freight only line costs on a national basis previously, we would question if they could now do so on a route basis. ORR should also ensure that any model proposed by Network Rail is fully fit for purpose.

At the ORR workshop, attended by Tony Berkeley, there was a discussion on the efficiencies of the maintenance and renewals works, particularly in the time (and therefore cost) of taking and handing back possessions and the extent to which Network Rail allows single line operation of train services whilst undertaking works on adjacent tracks(s). We still do not believe that this is being taken sufficiently seriously either by Network Rail or the ORR. There is evidence from contractors and others in the industry both in the UK and elsewhere that, even with our narrow track spacing, it is quite possible to operate

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single line working in most locations whilst works are carried out on the adjacent track. On certain routes, and with the agreement of the operators, it may also be possible to use such techniques during off peak daytime, to facilitate more efficient working practices. This is an example of an area where closer 'bottom up' analysis may be productive, if necessary coupled with input targets for delivering change.

We note that ORR will continue to use international benchmarking to support its assessment of Network Rail. We agree that a wider set of benchmarking parameters is appropriate, including companies out with the rail sector, and with a closer assessment of the core reasons for efficiency gaps. At the workshop there was some discussion about the comparator data and the work that Network Rail is undertaking with other European rail infrastructure managers. Any such work must be mindful of the level of compliance of other railways with the requirements of the First Railway Package, and the potential for data reliability issues to arise in consequence.

We would also expect the Regulator to include an efficiency provision associated with improved approaches to procurement as part of its assessment of renewals and enhancement work.

Clearly there will be much more detail emerging on these themes in the coming months, and we will comment where appropriate. In the mean time, we would be happy to debate these issues in more detail with the ORR and NR.

Yours sincerely,

A handwritten signature in black ink that reads "M Simpson". The signature is written in a cursive, flowing style.

Maggie Simpson  
Policy Manager

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