

promoting quality public transport.....

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

25th September 2012

Dear Richard,

Consultation on financial issues for Network Rail in CP5

1. TravelWatch NorthWest is an independent Community Interest Company representing all public transport users in NW England. We are pleased to see some of the views we expressed in our response (25/5/12) to your earlier consultation on “Aligning Incentives” being taken into account in this further consultation and we welcome the opportunity to respond.

2. We understand both the statutory and practical imperative for **ORR’s Periodic Review 2013 (PR13)** for the financial **Control Period 5 (CP5)** in that it will determine what high level outputs (HLOS) Network Rail (NR) should deliver and what revenue (SOFA) it will require, so allowing ORR to determine its permitted **track access charges**. PR13 should also establish a (financial) **Regulatory Framework** of incentives for Train Operating Companies (TOCs) and NR.

3. From the viewpoint of the **passengers** whom we represent your statement that these decisions will impact on stakeholders including not just NR and TOCs but also freight operators (FOCs), Government (DfT) and passengers is what prompts our further response.

4. The consultation covers a number of lower level issues to which we do not think it appropriate for a consumer body to express an opinion other than that some, indeed most, will pass through what has aptly been described as the rail industry’s “moneygoround” and eventually influence what we believe are the main concerns of passengers *viz* **fares, capacity and reliability**. We are concerned that these outcomes may not always be to the benefit of passengers. For example, they may in some instances give rise to higher fares.

5. These lower level issues are identified in the tabulation below

Issue	Comment
Estimating revenues and compensating for risk	There is a need for a new mechanism to replace the current “cap and collar” See our response 25/5/12
Aligning incentives	We think that ORR should be empowered to move towards Route Level Efficiency Benefits Sharing (REBS) at NR route level. See our response 25/5/12
Increasing transparency of industry cash flows	We intend responding to this separate consultation by its closing date of 19/10/12
Pricing traction electricity	Issues for the industry to address and on which we prefer not to comment as we do not think it appropriate for a consumer body to express an opinion
Value of Regulatory Asset Base (RAB)	
Reopening of price controls in defined circumstances	
NR’s Debt/RAB ratio not to exceed 75%	
Inflation proofing, risk “buffers” and indexing	

We would like to reserve our judgement on some of the above issues and if we note any unintended consequence of either detriment or benefit to **passengers** to be able to share these with you.

We would be happy if asked to enlarge on any aspect of this response either orally or in writing.

Thank you for the opportunity to respond.

Yours faithfully

John A Moorhouse

John Moorhouse
Company Secretary

(Response prepared by Paul Fawcett MPhil FCILT)