

RDG PR18 working group on route-level regulation, charges & incentives

Note of meeting held on 6 February 2017 at RDG's offices

Attendees: Bill Davidson (RDG) (chair); Nigel Jones (DB Schenker); Maggie Simpson (Rail Freight Group); Martin Baynham-Knight (Keolis); Lee Shuttlewood (SWT); Peter Swatridge (Network Rail); James Mackay (RDG); Charles Robarts (Network Rail); Jonathan Cooper (Alliance Rail); Chantal Pagram (Go-Ahead); Lindsay Durham (Freightliner); Richard McClean (Arriva); Oliver Mulvey (DfT); Denise Wetton (Network Rail); Deren Olgun (ORR); Chris Hemsley (ORR); Noel Saraf (ORR); Mark Morris (ORR – item 1); Dan Moore (DfT); Mark Thompson (DfT); Lindsay Durham (Freightliner); Chris Simms (Abellio); Lynn Armstrong (ORR); Nigel Fisher (ORR); Andrew Murray (DfT); Steve Price (Stagecoach); Russell Evans (FirstGroup).

Assessing Network Rail's efficient costs for CP6

1. ORR set out the work that it had been undertaking on improving the effectiveness of Network Rail's processes to identify, plan and deliver renewals work, and the underlying causes for recent trends in renewals efficiency.
2. ORR recognised that there was evidence that in some areas asset management were better compared to previous period; however there is still room for improvement.
3. Network Rail has not proved as effective in cost and delivery planning as it has in asset management planning. ORR is of the view that Network Rail has lacked in activity based/ resource planning
4. It was noted that train operators do not have much visibility and need more meaningful information from Network Rail, to enable better decision making.
5. ORR was interested to find out if there was any particular information that stakeholders thought should be included.

ORR, Outputs and Scorecards

6. Scorecards help ORR determine how Network Rail has been performing. The purpose of this item was to address the relationship between outputs and scorecards and ORR's involvement in setting these.
7. One operator commented that the market is characterised by a monopoly seller and many buyers highlighting the importance of ORR as a regulator.

FINAL - AGREED

8. There was a discussion on whether there could be any potential target set between Network Rail and individual customer which when failed would require ORR's regulatory intervention.
9. There was a discussion of whether there was a need for ORR to set a regulated target at national & route levels, with some operators commenting that this was important.
10. It was agreed that Richard McClean (Arriva), James Mackay (Network Rail) and Russell Evans (FirstGroup) would collect feedback and revert to Lynn Armstrong (ORR).

Discussion on Schedule 8 and views on current ORR proposals

11. Some operators raised concerns about the balance of the incentives they faced. Some freight operators raised the concern that the amounts that they pay to Network Rail under Schedule 8 when they cause a delay to other operators were not cost reflective and seemed somewhat random.
12. ORR noted that there is evidence that shows that operators can reduce the amount of delay caused to self.
13. Some operators argued that Network Rail should be responsible for downstream impacts of delays caused by operators. ORR noted that the operator regime in schedule 8 was about providing effective incentives on operators, and that incentives on Network Rail could be addressed through the other incentives on the company.
14. The stakeholders were requested to send their comment to ORR on the Schedule 8 proposal which lays down changes in how benchmarks is set.