

Northern Rail Ltd
4th Floor
Northern House
7-9 Rougier Street
York
YO1 6HZ
Tel: 07917 628498

Gian Carlo Scarsi
Head of Regulatory Economics
Office of Rail Regulation
1 Kemble Street
London
WC2B 4AN

12 October 2011

Dear Gian Carlo,

PERIODIC REVIEW 2013: ESTABLISHING NETWORK RAILS EFFICIENT EXPENDITURE

Northern Rail wishes to thank the ORR for the opportunity to comment on the proposed methodology it intends to use in order to establish the level of funding that Network Rail will receive for Control Period 5.

This letter sets out Northern Rail's response on some key issues that have been identified in relation to ORR's proposals.

Establishing the level of efficient expenditure is a key element of the Period Review 2013 process. ORR must robustly challenge Network Rail in order for the correct level of funding to be established to enable Network Rail to be able to efficiently deliver its outputs. Northern Rail also believes that it's vital for ORR to devise and implement rigorous monitoring regimes.

The industry envisages that the newly devolved route structures within Network Rail will become more efficient than Network Rail's current structure allows, and Northern Rail welcomes the opportunity for ORR, as part of this process, to define robust estimates for efficient expenditure for the newly devolved route structures. Northern Rail would also like to further understand how the enhanced benchmarking activities that the ORR is proposing will be applied to the newly devolved routes. Whilst benchmarking is a key work stream for establishing efficient expenditure, it's important to note there are likely to be significant variances between costs on the devolved routes and other comparators.

Northern Rail acknowledges that the ORR has built on the methodologies utilised in the Period Review 2008 and supports the methodologies that ORR is proposing to utilise. We would like to reiterate that it's vital that ORR challenges Network Rail to provide robust disaggregated data (at route operating level) in order to achieve meaningful results as part of the benchmarking/analysis activities that have been outlined in ORR's comprehensive proposal document.

Northern Rail also supports the view that disaggregated route based assessments will allow for joint incentives between Network Rail and Train Operators.

Please feel free to contact me should you wish you discuss any points raised in this letter.

Yours Sincerely

Helen Cavanagh
Track Access Manager