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Planning Oversight Group

Dear Paul, Michael, Lindsay and Jeremy

Developing the initial industry plan

1. Thank you for your letter of 31 January describing how you intend to develop your initial industry plan. We are encouraged by the positive approach you are taking to developing your plan.
2. We see your plan as a very important opportunity for the industry leaders to collectively advocate a convincing, affordable strategy that will meet the needs of your passengers and customers.
3. We note that you are basing your plan on your understanding of passenger and freight customer needs. We strongly encourage you to consult passenger and freight user representatives both to test your understanding of their needs as you prepare your plan and get buy in to your processes.
4. Your plan provides you with the opportunity to set out what the industry believes it can deliver if it can bring a genuinely innovative approach embracing improvement to safety, service quality and efficiency.
5. We welcome your intention to produce a **current railway** scenario (as a benchmark, delivering only already committed changes to the train service at a minimum whole-life cost) and a **preferred scenario** (that is the scenario you will be recommending to the two governments).
6. Your plan will provide both us and colleagues in the two governments with vital information we both need to take forward the periodic review with a particular focus on our advice to ministers (early in 2012) and then the high level output specifications and public funding commitments from both governments in mid 2012.

7. Turning to the detail we consider there are some areas where we think you could be more ambitious.

- **Benchmarking train operator costs** – you have an opportunity to go further than the work undertaken for the McNulty rail value for money review to benchmark train operator costs at a more detailed level over the next 6 months, and we would be happy to discuss ways of facilitating this. As you note, there is already significant activity aimed at benchmarking Network Rail with other infrastructure managers.
- **Costs & benefits** – your plan will be more helpful to us and the two governments if it exposes the costs and benefits of individual elements of the plan (for example, if it shows the cost and benefits of improving capacity separately from improving reliability).
- **Risks & uncertainties** - you are best placed to assess and quantify the risks and uncertainties associated with planning for CP5 and beyond, and this assessment will be an important element of a convincing plan.
- **Passenger satisfaction** – you have set yourselves an ambition of 90% passenger satisfaction and it will be important for you to set in your plan what can be achieved towards this aim in CP5.

8. Also we would expect your plan to cover a number of policy issues which you have not explicitly highlighted in your letter:

- **Interoperability** - under European regulations major capital investment schemes could be required to comply with interoperable standards and so your plan should identify any significant incremental costs such compliance would impose
- **Weather resilience** – your plan should identify where there are opportunities to increase the resilience of the railway (track and trains) to extremes of weather, and the costs and benefits of doing so
- **Ticketing** – your plan should consider ticketing issues such as greater use of smartcards to match supply and demand.

9. Over the last few weeks we have discussed with you your concerns about the deliverability of some of the information content at the level of disaggregation we originally proposed. Although we would have preferred to see a plan that is built 'bottom-up', drawing on the experience of those running the railway today, we accept that you will not present all forecast outputs at a very disaggregated level.



10. In some areas we do consider it is important that your plan does provide the information we need to inform our advice to the governments and these requirements are set out in the annex to this letter.

11. We recognise that your priority now is to develop your plan and the actions you set out as 'next steps' are particularly important. My colleagues will discuss with you how we should be kept informed of your progress and how we can help you to produce and publish a full and compelling initial industry plan in September.

Yours sincerely

A handwritten signature in blue ink that reads "Bill Emery". The signature is written in a cursive style with a small dot at the end.

Bill Emery



Annex – information requirements

The forecasts¹ in your initial industry plan should include, for England & Wales and Scotland separately:

Industry costs & revenues

- Passenger operator revenue and cost forecasts by sector, with train operator costs disaggregated along the lines set out in your letter (e.g. by staff, rolling stock, traction fuel, overheads).
- Infrastructure costs forecasts disaggregated in order to justify a range of uncertainty in Network Rail's revenue requirement of around +/-10% through CP5.
- Efficiency assumptions for each cost forecast, making clear the contribution of 'catch-up'/'frontier-shift' and unit-cost/scope where applicable.

Passenger and freight customer satisfaction

- Percentage of passengers satisfied with their journey.
- Freight customer satisfaction measure – industry to propose measure.

Safety

- Industry safety risk (network total; passengers, employees, members of public)

Capacity

- Passenger train capacity and demand, including an analysis of loadings using CP4 HLOS load factors.
- Freight capacity set against demand.
- Network availability. Possessions disruption index (England & Wales, Scotland; passenger & freight).

¹ To end CP10, with the focus on CP5 and CP6.



Train service performance

- Passenger and freight delay minutes (England & Wales, Scotland; Network Rail and operator caused delay by long distance, London & SE, regional).
- PPM (England & Wales, Scotland; long distance, London & SE, regional).
- CaSL (England & Wales, Scotland; long distance, London & SE, regional).
- Journey times & service frequency. An inter-urban/inter-regional journey time measure – industry to propose measure.

Environment

- Carbon dioxide emissions from traction energy (England & Wales, Scotland).
- Carbon dioxide emissions from non-traction energy use (England & Wales, Scotland).