



Llywodraeth Cymru
Welsh Government

Richard Owen
Office of Rail Regulation
One Kemble Street
London
WC2B 4AN

7 February 2012

Dear Mr Owen

Thank you for the opportunity to respond to the consultation on incentives for your next periodic review (PR13) of Network Rail. You will be aware from discussions, between the Minister for Local Government & Communities and Richard Price, that Welsh Ministers are considering taking greater responsibilities for the operation and management of the railway and services in Wales. The outcome may affect the future relationship between Welsh Ministers, the ORR and the industry and the following comments should be taken in that spirit.

In general, we are supportive of the efforts outlined to improve the efficiency and cost effectiveness of Network Rail's operations. We offer the following comments.

With regards to the themes set out in Chapter 3, the Welsh Government supports the outlined aims of linking outputs to outcomes and the proposed overall objective. We broadly agree with the outcomes identified, including their basis in the three pillars of sustainability (economic, environmental and economic).

As currently proposed, however, the Welsh Government's view is that they are weak on the social pillar. Consequently, we would like to see Social Inclusion adopted as an outcome, in line with the Welsh Government's key *Programme for Government* commitment to reduce poverty. Potential approaches to monitoring this outcome include establishing appropriate demographic-based metrics using data from the National Passenger Survey (NPS) and/or monitoring the relationship between rail fares, an income metric (such as the Average Weekly Earnings Index) and/or indicators of poverty and deprivation.

Similarly, a Social Inclusion indicator oriented towards assessing the accessibility of stations and services would fit with the Welsh Government's aims to make the railway more attractive to all, including people with a disability. Data from the Assisted Passenger Reservation Service and/or the NPS may offer the basis of appropriate metrics for this indicator.

Cathays Park
Cardiff
CF10 3NQ

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Doc # 439686.01

In terms of the focus of Chapter 4, the Welsh Government welcomes the ORR's commitment to aligning incentives to reduce costs in the rail industry. We support the principle of moving toward a route-based efficiency sharing mechanism and that this should include some exposure of train operators to Network Rail's costs.

We would like to see further detail on how such a sharing mechanism would work. As presently outlined, it is clear how benefits might flow to Network Rail and train operators. However, it is not evident how the Welsh Government, which makes a considerable financial investment in the rail industry but does not currently have devolved powers for infrastructure, would benefit from such an incentive regime. This is particularly the case ahead of re-letting the Wales and Borders franchise in 2018.


Further, while fully supportive of moves towards greater route-based management and accountability including its greater delegation of budget and financial responsibility, we would emphasise that this must be underpinned from the outset by a full assessment of asset condition and identification/recognition of any maintenance and renewals backlogs.

The consultation, at Chapter 7, examines incentives for improving capacity utilisation. The Welsh Government welcomes the endeavours to make more productive and efficient use of highly used parts of the network. While supportive of these efforts, we would suggest that any such incentive regime should also result in lower costs being charged to lighter used parts of the network, such as rural branch lines, which continue to play an important social role.

Finally, the Welsh Government wishes to emphasise the need to simplify the incentive regime. This in itself is likely to deliver efficiencies, while also aiding transparency and public confidence. For example, while we welcome the outlined moves to route-based mechanisms, it is important that this does not generate additional layers of reporting and/or data that add further complexity to the existing system.

We look forward to continuing discussions with the ORR and the rail industry on the incentive regime, in particular as Welsh Ministers may move towards increased responsibility.

Yours sincerely



Simon Pickering
Rail Franchise Manager
Welsh Government