

## **LOCAL OUTPUT COMMITMENTS**

1. Tom Winsor said in his letter of 4 February 2004 to John Armitt that we would write separately about establishing local output commitments (LOCs).
2. The Regulator has consented to some minor modifications to the proposal for change to the Network Code in a letter to the Secretary of the Class Representative Committee and, following approval by the committee, expects Part L to come into force shortly.
3. LOCs are an important part of the drive to improve performance. The establishment of contractual commitments on operational performance for individual train operators, backed up by operator specific performance plans, is an opportunity for Network Rail and its customers to ensure that LOCs deliver real improvements.
4. We have already consulted on the Regulator's proposed LOC criteria, to which he will have regard in considering appeals. I am now asking for further views on the approach we are minded to take, as set out in the attached statement, on:
  - (a) starting the process – we are minded to “switch on” LOCs for 2004/05;
  - (b) the types of train operator to which LOCs should apply - we are minded that they should apply to all operators covered by the network code; and
  - (c) the Regulator's LOC criteria, including the expectation that the sum of LOCs will be consistent with Network Rail's overall performance targets established by the access charges review, and the tolerance levels for poor performance (with poor performance being subject to remedies).
5. I would be grateful if any final representations on this approach could be sent to Brian Hatfield at ORR by close on 12 March 2004.

6. Once again, can I emphasise the importance the Regulator attaches to making this key customer-supplier relationship in the industry work effectively.

**MICHAEL BESWICK**