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Manager, Railtrack Regulation  
Office of the Rail Regulator  
1 Waterhouse Square  
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5 April 2001

Our ref: njo22g  
Your ref:

Dear Gill,

**NOTICE OF PROPOSED MODIFICATIONS TO RAILTRACK'S NETWORK  
LICENCE: REPORTER, REGULATORY ACCOUNTS AND ANNUAL RETURN**

This letter forms the response of English Welsh & Scottish Railway Limited ("EWS") to the above consultation document. EWS is content for this response to be placed in the Regulator's public library.

EWS supports the Regulator's proposed modifications to Railtrack's Network Licence subject to his consideration of the comments we have expressed below.

**Provision of Information**

EWS shares the Regulator's concern that the present "*ad hoc*" approach to obtaining information from Railtrack, particularly in regard to its assets and costs is no longer appropriate. Moreover, EWS has been frustrated with Railtrack's inability to provide detailed and robust information on asset condition, renewal rates, asset lives and maintenance & renewal practices. The lack of knowledge of freight only assets and the general failure to calculate infrastructure costs by a robust bottom up method tested against actual spend has exacerbated our concerns. Without this information there remains much doubt over the robustness of the top down infrastructure costing approach used throughout the periodic review to assess the level of cost reflective access charges.

EWS would hope that generic terms such as "renewal activity" and "enhancements" are very well defined to ensure to avoid the possibility of Railtrack "window dressing" its report.

For any financial information to be meaningful it must relate to verifiable physical facts. It is not clear from the proposed modifications whether such facts will be published or indeed included in the report to the Regulator. EWS believes that to monitor the performance of Railtrack it is essential that the report contains comparisons against international best practice.

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## **Regulatory Accounts**

The modifications indicate that the Regulator retains the right to modify and/or change accounting policies adopted in the report. If and when this occurs it is essential that prior years accounts are restated so that comparisons can be drawn and trends identified.

EWS assumes that accounting policies will be clearly stated in each report.

EWS believes Railtrack should also report on the credit terms given to suppliers compared with the credit terms offered to customers. This measure should be taken from the date of delivery/receipt of goods and services rather than invoice date.

## **Reporters**

EWS believes that the introduction of reporters combined with a credible asset register (subject of separate consultation) will offer opportunities far beyond the collection of reliable financial information. We believe they can:

- Confirm the cost reflective and transparent basis for access charges
- Help the Regulator form a reliable bottom up view of Railtrack's genuine efficiency potential
- Examine the management of the network against demonstrated best practice.

EWS urges the Regulator to collect and verify (through the reporters) the following information in order to achieve these objectives:

### *Cost Reflective and Transparent Nature of Access Charges*

The Regulator has decided that cost reflective access charges should apply for control period 2. Lacking reliable data over the periodic review process has, in effect, necessitated charges being set using top down methods. This has resulted in a great reliance on Network Management Statement data that is not conducive to fostering a genuine understanding of how costs are incurred and how they can be managed.

- 1) Age and condition of all assets. Age, design, tonnage passed over, maintenance policy and frequency, estimated replacement dates for all track assets.
- 2) Type of assets. Details on track design and maintenance standards by line type and category. Analysis of costs on different types of line.
- 3) Details on maintenance and renewal strategy. Provide clarity on renewals strategy e.g. is a patch and mend or total renewal policy called for? Is it better



to over-run possessions rather than re-programme to a later date? Is this the appropriate material for the type of line? etc.

*Assessing Efficiency Potential*

- 1) Maintenance policy. Details needed on maintenance practices (appropriate tamping and grinding/lubrication regimes along with projected asset life improvements)
- 2) Materials cascade policy.
- 3) Mechanisation. Details on high output machines, planned and currently in use.
- 4) Details on productivity improvements planned and achieved.

*Performance Against Best Practice*

- 1) Research and development policy. What new materials, practices are being considered ?
- 2) Benchmarking contractors. Search for best practice among existing contractors (productivity, output rates, maintenance and renewal spend strategy, innovation), share best practice and revise standards/output requirements accordingly.

EWS would wish to understand whether other industry parties will be able to make representations to the reporters or are at least consulted on their activities.

Yours sincerely,

***Nigel Oatway***  
***Access Manager***