



ASSOCIATION of TRAIN OPERATING COMPANIES

Mr Jon Clyne
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18 May 2005

Dear Jon

**COMMENTS ON ORR POLICY FRAMEWORK FOR INVESTMENTS:
AN INITIAL CONSULTATION**

This is the response from the Association of Train Operating Companies (ATOC) to your consultation document on the Policy Framework for Investments. You have received good responses from owning groups which we support. We particularly commend the response by Laing Rail which reflects our views.

We are supportive of the changes that are proposed, and welcome the consultation document as an opportunity to address investment issues and make improvements to the ways in which investments are funded, managed and delivered.

A clear policy framework for investments is essential to ensure that passenger and freight operators – as well as other organisations – are able to make investments that might not otherwise take place. As the most customer-facing organisations on a railway with increasing passenger demand (and constrained government funding), they are best-placed to assess the investments that are required, the benefits that they will bring, and to manage their introduction.

The policy framework for investments should enable train operators to fund investments in the most appropriate way and, as is suggested in the consultation document, to receive a fixed price from Network Rail for its delivery.

However, train operators have concerns that Network Rail's costs for procuring and managing investments are higher than the costs of procuring and managing investments themselves. One reason for this may be the over-cautious allocation of project risk/contingency to investments. As Network Rail has a large spread of investment schemes it is economically inefficient, as well as unnecessary, to include a worst case contingency allowance of up to 25% in each scheme, compared with a typical allowance of 10% in private industry.

The complexity of process involved in proposing, approving, managing and delivering investments is, itself, a barrier to third party investments taking place. Third parties are discouraged from investing because of the bureaucracy involved; and franchisees – which must mostly consider investments over a seven year time period – have only a very narrow window in which to make investments.

We look forward to further discussion on the investment framework and are happy for you to publish this response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alec McTavish', with a stylized flourish at the end.

Alec McTavish
Director of Policy & Regulation

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