

Iain Morgan
Senior Economist
Office of Rail Regulation
1, Kemble Street
London WC2B 4AN

Central Trains Limited
PO Box 4323
Birmingham B2 4JB
Tel: 0121 654 1136
Mob: 07771 830007
Fax: 0121 654 1236
mike.haigh@centraltrains.co.uk

31st May 2007

Dear Iain

Re: PR08: Changes to Schedule 8

I have the following observations as a member of the Industry Group to make on your letter dated 20th April 2007:

1. In part 10 the note suggests that industry representatives in January reached the conclusion that the current structure of Schedule 8 should be retained. My recollection of the discussion was that this was not on the agenda for this review as this had been the conclusion of the 2005 review.

Having reread the conclusions of the 2005 review I broadly agree that the regime provides the most effective means of providing the signals to industry players to influence behaviour from an economic theory standpoint. What it does not appear to consider is whether it is actually working as intended.

Empirical evidence suggests that the single most important driver of improved performance since 2000 has been the focus on PPM. I am yet to be convinced that Schedule 8 is simple enough to influence behaviour to the same degree for TOCs or Network Rail.

That does not mean we should abolish Schedule 8 nor am I naïve enough to suppose that it is politically possible to do so. I do, however, believe that we have an opportunity to review the overall structure with a view to making it much more transparent and simple.

For me that would start with a review of whether the regime is actually achieving what was originally intended. We have no shortage of data to work with but I suspect management information is more scarce.

2. I don't accept that the TOC on TOC rates in the Star model should be in balance as this leaves Network Rail with no incentive to reduce consequential delay to other Operators arising from incidents. Service Recovery, incident management and regulation are major factors in managing delay and cancellations and Network Rail take the lead role in this.

3. I would agree that the passenger charter element of the TOC payment rate should be abolished.

Mike Haigh
Business Development Director