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Dear Iain

PR2008 – Consultation on changes to the passenger performance regime (Schedule 8)

Thank you for your letter inviting comments on the performance regime issues that are to be considered for review as part of PR2008. This response makes reference where appropriate, to the relevant paragraph numbers of the letter.

Northern believes that the current structure of Schedule 8 (10) should be maintained, and agrees that the performance points should be updated. TOC payment rates should reflect current levels of TOC-on-TOC delays, resulting in a re-balancing of the Star Model at the start of CP4. Northern does not support any mechanism where Network Rail shares directly in operator revenues unless the terms of the franchise agreement are amended.

Benchmarks (12) should be set at a challenging but realistic level to incentivise the parties to continually improve performance, but there is a mis-match in the incentives applying to both parties. Northern is currently working with Network Rail to deliver higher levels of PPM results that will then automatically trigger the extension of the northern franchise, and also to increase Network Rail's awareness of how the reduction of Network Rail caused delays can improve whole industry PPM. Whilst both Northern and Network Rail are incentivised by Schedule 8, and Northern is incentivised by the franchise agreement to deliver PPM, Network Rail is not directly incentivised to deliver PPM.

It will be a key issue to establish that the Network Rail benchmarks are not only consistent with the delivery of the HLOS and Strategic Business Plan (SBP) published later this year, but also consistent with the delivery of Northern's aspirations to deliver 90% PPM.

The review of TOC payment rates (14) is welcomed, and the opportunity should be taken to reflect both changes to service levels (by Northern and long distance operators) and current levels of TOC-on-TOC delay (15). It may also be appropriate to review changes to Monitoring Point Weightings (MPW's) to reflect changes since the last calibration.

Northern has no experience of how Network Rail would behave if their performance fell below the Sustained Poor Performance (SPP) thresholds (16), but it does have experience of Network Rail failure to meet JPIP targets being balanced by Northern over-performance. Schedule 8 doesn't adequately incentivise Network Rail to deliver JPIP targets. In the North of England, Network Rail performance is still significantly adverse to

pre-Hatfield performance levels. Northern believes that the “normal compensation” (17) should continue to apply to low level delays, but that ORR should consider enhanced compensation for delays over 30 minutes and cancellations, reflecting customer perception of delay and cancellation. The new PR2008 benchmarks and payment rates should be “neutral” at the performance levels required by Northern’s franchise agreement.

Northern services do experience peak crowding, despite working with stakeholders to secure funding for additional units. The assumption that increased punctuality always results in increased farebox revenue should be tested.

In earlier PR2008 consultations ORR has expressed a view that TOCs and funders should be aware of current price levels (even if subsequently neutralised under the terms of the franchise agreement). Northern believes that Network Rail (19) should be made more aware of the fare-box impact of poor performance and that Network Rail payment rates should reflect the general change in revenue where this exceeds RPI. The recent changes to the internal Network Rail processes for dispute resolution and the Delay Attribution Guide are working well, but the resolution of disputes concerning leaf fall needs more work to ensure cross-industry consistency between Network Rail and each TOC.

Northern would like ORR to consider some changes to scope (21):

- Should Network Rail be incentivised to deliver PPM, so as to align TOC and Network Rail objectives?
- The assumption that increased punctuality always results in increased farebox revenue should be tested to determine the impact of crowding.
- Northern MPWs should be updated to reflect current loadings.
- Enhanced compensation for delays over 30 minutes and cancellations should reflect customer perception of delay and cancellation

Northern would welcome the opportunity to be a member of the representative group (23).

Yours sincerely

Heidi Mottram
Managing Director