



Sustainable Development

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Sustainable development

- Promoting rail growth by improving the rail product and its affordability improves sustainability since the product is more sustainable than alternative modes for many transport needs
- But rail must improve the sustainability of its production process to maintain the sustainability of its product
- As well as mitigating rail's impact, it needs to adapt to environmental, social or economic changes

Industry/regulatory framework

- In general terms (ignoring sustainability), Network Rail is seeking:
 - Clarity about required high level outputs
 - Stable funding based on whole-life, whole-system optimisation
 - Effective regulation based on defined measures and criteria
 - Flexibility to deliver outputs efficiently within the business
 - Flexibility to deliver outputs efficiently across industry
- These objectives are increasingly important given strong growth in passenger and freight demand:
 - We need a dynamic rather than a static industry
 - Capable of responding to emerging issues

Implications of sustainability

- Sustainability considerations further highlight the importance of a flexible whole-life/system approach:
 - Direct effect on the economic pillar
 - Indirect effect on the environmental and social pillars
- These requirements also apply equally well to consideration of sustainability issues:
 - Government may wish to specify some environmental requirements in HLOS/SOFA and/or franchises
 - Excessive regulation could undermine sustainability through reduced flexibility, reduced industry ownership and unintended consequences

Impact on Network Rail

- Sustainability needs to be embedded in decision making processes particularly where they impact long term:
 - Continued efficiency improvement
 - Appraisal criteria
 - Operational policies
 - Asset policies
 - Rolling stock specification
 - Supply chain management
 - Route Utilisation Strategies
 - Depot Strategy
 - Enhancement projects
 - HLOS and SOFA
 - Contractual framework
 - Track access charges

ORR consultation questions

- ORR should adopt a facilitative approach:
 - We support development of metrics owned by the industry
 - Government/ORR input is required to help establish these
 - Industry performance statistics could be collated by ORR
 - Incentives based on KPIs are not recommended now
 - ORR guidance should not become prescriptive
 - Modifications to the Network Licence are unlikely to be necessary
 - Direct ORR funding of R&D is not appropriate
 - Consideration of an environmental charge is premature
 - The Industry Steering Group will consider implications for network/stations/depot code
 - The Electric Traction Charges Group will recommend reform

Electric traction charges

- The current approach:
 - Provides strong incentives for procurement efficiency
 - But does not send useful price signals or facilitate effective risk management
- Potential changes focus on both price and volume:
 - Greater transparency of forecast MLUI and wash-up can reduce within-year uncertainty
 - Improved train or entry point metering would enable parties to retain more of the benefit from energy efficiency initiatives
 - Alternatives to MLUI could send better price signals and facilitate hedging, agreed procurement strategies or direct procurement
 - The flat-rate discount for regeneration requires review
- Changes could be introduced through the periodic review, an interim review or by agreement

