

Press Notice by the Office of Rail Regulation (ORR).

## **Efficiency savings the key to substantial rail industry growth**

Further substantial growth in the rail industry can be achieved if costs and efficiency can be brought under control says an independent study, published today.

Speaking at the launch of the Rail Value for Money Study, its chair Sir Roy McNulty said “achieving a 30% efficiency improvement by 2019 should be the target for the GB rail industry given the Study’s findings on the industry’s costs compared to European railways and other industries. A reduction of this magnitude is achievable, and is essential if passengers and taxpayers are to get the fair deal they deserve from the rail industry”.

The Study’s final report puts forward a wide range of recommendations focused on creating an industry environment which encourages cost reduction, changes which deliver new efficiencies, and mechanisms to drive implementation. The Study estimates that implementing these recommendations could deliver savings between £700 million and £1 billion annually by 2019.

Sir Roy concluded,

“The rail industry has the opportunity for substantial further growth, building on the successes of the past fifteen years, but the licence to grow has to be earned by greater efficiency. The Rail Value for Money Study has identified the barriers and what needs to be done to overcome them. It is now for the industry, working with government and the Office of Rail Regulation to rise to the challenge.”

### **Notes to editors**

1. The Study is available at: <http://www.rail-reg.gov.uk/server/show/ConWebDoc.10401>
2. The Study was announced in November 2009 and was jointly sponsored by the Department for Transport and the Office of Rail Regulation.
3. The Study found that there were ten principal barriers to efficiency in the GB rail industry:
  - Fragmentation of rail industry structures and interfaces.
  - The way in which major players in the industry have operated.
  - Roles of Government and industry.
  - Nature and effectiveness of incentives.
  - Franchising.
  - Fares structures.
  - Legal and Contractual frameworks.
  - Supply chain management.

- Insufficient emphasis on whole-system approaches.
- Relationships and culture within the industry.

Tackling these barriers is a pre-requisite to the changes and costs savings envisaged by the Study.

4. For further details or to request an interview with Sir Roy McNulty, please contact Ben Clifton on 020 7944 6433 or email [Ben.Clifton@dft.gsi.gov.uk](mailto:Ben.Clifton@dft.gsi.gov.uk)

19 May 21011.