From: Admin [mailto:admin@coalpro.co.uk]
Sent: 28 February 2013 15:29
To: Worley Ben
Subject: Network Rail consultation on the phasing in of the freight-specific charge, applying the variable usage charge cap, updating our estimate of freight avoidable costs and updating/phasing in the freight-only line charge

Network Rail consultation on the phasing in of the freight-specific charge, applying the variable usage charge cap, updating our estimate of freight avoidable costs and updating/phasing in the freight-only line charge

The Confederation of UK Coal Producers (CoalPro) represents member companies who produce over 90% of UK coal output. As rail freight charges represent a major component of the delivered price of coal, and hence the UK coal industry's ability to compete fairly with imported coal and gas, CoalPro is pleased to respond to this consultation.

However, CoalPro feels strongly that the period allowed for the consultation is extremely brief, thus inhibiting our ability to submit a fully thought through response. This response should be considered with this in mind. Furthermore, Network Rail will be aware that ORR's decision to introduce a freight-specific charge remains a matter of dispute and that the related matter of both the definition and quantum of freight avoidable costs remains a matter of contention. CoalPro therefore feels that this consultation is premature.

Question 1: CoalPro fundamentally disputes the estimated income from the FSC set out in Table 2. The forecast traffic from ESI coal is seriously overestimated. First, total demand for ESI coal is likely to decline over the period to 2018-19 as the LCPD power station closures take effect, as restrictions due to the Industrial Emissions Directive take effect as carbon price support has a progressively higher impact.

Moreover, the introduction of the FSC itself will further reduce traffic as coal is driven from rail to road, as long distance flows (e.g. from Scotland to England) are displaced by shorter distance flows (e.g. from English ports to English power stations) and as the overall transport of coal falls because the FSC makes coal relatively less competitive with gas.

The illustrative profile thus needs a fundamental revision to take into account ALL of the above factors.

Beyond this, both the quantum and definition of freight avoidable costs requires further detailed work. The wide range of estimates of FAC gives no confidence whatsoever that the ORR decision, or Network Rail's proposal, are based on solid foundations.

In addition, CoalPro disputes the definition of FAC. A large part of these costs are attributed to infrastructure on the mixed part of the network used only be freight trains. However, these sections of track exist to separate passenger and freight traffic and to give priority to passenger traffic. Whilst they would not be required on a passenger-only network, equally they would not be required on a freight-only network. The definition thus needs a fundamental reassessment with a consequent reassessment of FAC.

Question 2: No comment.

Question 3: Again, if the values and traffic set out in Table 4 are envisaged as being maintained through to 2018-19, they represent a gross over-estimate requiring fundamental revision for all the reasons set out in response to Question 1.

Question 4: Whatever approach is used for ESI coal should also apply to biomass.

Regards

David Brewer
Director General