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Dear Joel

Direct Rail Services is pleased to respond to the PR13 consultation on the capacity charge.

We have no issues with this response being published on your website.

Comments

DRS have noted that the annual total number of freight trains since 2001/02 has decreased significantly with tonnage carried remaining buoyant.

It will be interesting to see if this 'efficiency' is recognised and taken into consideration in the recalibration of the charges in line with the weekend discount.

We would like to understand as to why the capacity charge has not been reviewed in over a decade.

DRS understand what the consultation document is saying however, we fail to see how the correlation between schedule 8 and capacity manifest through the railways Infrastructure (access and management) regulations 2005, part 5 congested infrastructure and schedule 3 access charging, principals of access charging (in particular clauses 7,8 and 9.

We note that in part 3 of the consultation, 3.1 cost recovery, bullet point two that you state 'That is to say, under the current structure, operators and funders benefit from cost savings if a service is withdrawn, in the same way that they pay more when a service is added.'

We find this a perverse incentive statement in that; save if you run less trains but will be penalised if run more trains.

However, if applied literally should freight be entitled to ten years of capacity charge reductions?

Specific questions

1. Do you agree that, beyond the arrangements that are currently in place, capacity charge tariffs that vary across time should not be introduced?

Whilst we understand that some stakeholders have suggested a more granular structure, we agree in principal that the current arrangement is both fair and simplistic.

2. Do you agree that the weekend discount should remain in place? Do you agree that the magnitude of the discount should be revisited, and informed by analysis undertaken as part of the capacity charge recalibration exercise?

The industry is aiming for a 6/7 day railway and operators should continue to be incentivised towards this and would refer to comments above re total number of freight trains.

3. Do you agree that the capacity charge should be disaggregated to train service code (rather than train service group) level in CP5?

n/a

4. What are your views on developing a tool to calculate capacity charge tariffs for new or amended service codes? How could this be best accommodated contractually?

n/a

5. Do you agree that all freight operators should pay the same single capacity charge tariff in CP5? What are your views on the level of the discount applied to freight services?

Notwithstanding the comments re 2005 regulations.

The significant reduction in the total number of trains (Freight).

97% of capacity charges are relative to TOC's.

NWR acknowledge the benefit of flex within the timetable for freight with the ability to avoid capacity bottle necks.

There is little scope or indeed any incentive for FOC's to do anything differently.

DRS believe that to incentivise freight and to somewhat counter all the other potential track access charges increases, that capacity charges should not be levied at freight, with schedule 4 + 8 applying as it should.

Should the capacity charge continue to be levied under the current pretext then DRS would agree with the same single capacity charge tariff principal for freight.

6. Do you agree with Network Rail's proposals in relation to the *de minimis* threshold?

n/a

7. What are your views in relation to arrangements for handling large timetable changes in CP5?

NWR have stated that they have not reviewed the capacity charges in over a decade during which time there would have been some significant timetable changes.

If the view sought is suggesting a mid CP5 review with further potential capacity charge increases then this would undermine operator/customer confidence in going forward even more so than which the PR13 review has managed up till now.

DRS would not support this if this was the case.

8. Do you consider that the proposed methodology for recalibration of the capacity charge described above and detailed in Appendix 2 is appropriate?

On the assumption that the methodology will rely on NWR data.....

9. Do you agree that the CUI should be used as the basis for capacity charge recalibration as part of PR13?

Has or will the CUI data be independently validated for accuracy and reliability?

10. What are your views about accounting for other determinants of reactionary delay as part of the CP5 recalibration of the capacity charge?

Given that some stakeholders already have concerns that NWR are recovering in full + it could well be understood that this could be viewed as another means to recover even more.
NWR rail should review the capacity charges through the recalibration exercise to see if the + would recover any of the 'other determinants' before sending all the wrong signals to industry.

11. What are your views about the functional form used to model the relationship between reactionary delay and capacity utilisation?

No comment

12. How do you think the industry can guard against analytical risk in the capacity charge recalibration? In the unlikely event that statistical recalibration approach described above is not fully successful, how should we proceed to secure a capacity charge which is fit for purpose in CP5?

Comply with the 2005 regulations as in comments and or as 5 above.
It is interesting to note that one of the NWR proposed back stops is 'operational judgement'

13. How should changes in the capacity charge between CP4 and CP5 be managed?

Technical box three mentions growth in capacity utilisation, the last time the capacity charge was recalibrated (a decade ago) and then gives the example of additional services leading to greater reactionary delay = higher capacity charges!

Is the last recalibration date the benchmark for establishing additional services?

Does the intended recalibration mean to take in ten years of RPI as well?

We would certainly be concerned over significant increases in the capacity charge over and above all other PR 13 increases.

'Two of the most important sources of change are likely to be changes in passenger revenue and changes in capacity utilisation.'

As previously mentioned given the reduction of freight trains over the years why should freight be potentially penalised based on TOC increases in revenue and capacity?

14. Do you support the creation of a capacity charge working group? How do you consider that its membership should be decided? What should be its remit?

DRS would normally be supportive of working groups with all relevant bodies participating however, at this stage of the capacity charge consultation DRS is not convinced of any benefit in another working group, we would also have concerns that this group could be used as a platform for further adjustments during CP5, this would also beg the question of the anticipated lifespan of the group? perhaps NWR/ORR could elaborate on their perception of the functionality/empowerment of such a group and its effect on the consultation process?

Whilst we have reservations at this time, we would be pleased to participate in such a group.

15. Do you have any further views or suggestions about our approach to stakeholder engagement in relation to the capacity charge?

No doubt you will be acutely aware of the various consultations taking place within the industry and of the costs and time associated with these. I find it refreshing to have a 31 page document to review as opposed to 90 pages.

16. Do you prefer fewer and longer consultations or more regular and shorter consultation?

We believe that fewer and longer consultations have the advantage of spreading the workload, giving time to absorb the subject matter and allowing an informed response.

17. Do you have any further views or suggestions about our approach to stakeholder engagement in general?

In so far as is reasonably practicable keep it simple and in plain English.

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