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Dear Ben

Direct Rail Services is pleased to respond to the Network Rail consultation on variable track access, freight only line charges and the application of a freight cap.

Comments

Whilst we appreciate that the figures mentioned throughout the consultation process are largely Network Rail costs and might not be reflective of the actual charges levied I am sure you will appreciate that any significant increase in charges could be potentially damaging to the freight sector and its existing and potential customer's confidence in rail's ability to compete with road.

DRS support a freight cap for the reasons mentioned above and find it encouraging that this matter is being addressed at an early stage in the PR13 process.

It was clearly noted in the consultation document under freight only lines page 14 "we do not at present, have robust traffic data" and "we do not at present, have robust traffic data in order to estimate variable usage costs"
For the sake accuracy this issue should be addressed as soon as possible.

Response to specific consultation questions

Variable usage charges

1. What are your views on the range of traffic scenarios (+5%, +10% and +20%) that we used to model costs?

DRS believe that it is prudent to sample a range of traffic scenarios but are disappointed that the model can apparently only cope with predicted increase in traffic and not a what if there is an actual reduction.

As the nuclear stations become decommissioned it is anticipated that there will be a gradual reduction in these traffic flows until decommissioning is complete.

2. What are your views on our proposal to use the +20% traffic scenario to estimate an average track vehicle cost per kgtkm?

This is a figure based on agreed forecasts and clearly gives Network rail protection against under achievement.

3. What are your views on our proposed 'top down' variability assumptions that we have applied in order to estimate non-track variable usage costs?

Assumptions can cause uncertainty but it is appreciated that sometimes an assumption is your starting point however, the variability assumed for 'points' generally 18% against minor works 'points' 44% needs clarification.

The discussion over level crossings and road user misuse was interesting but we fail to see how this scenario can be passed as a variable user cost to the FOC's/TOC's and should clearly be a fixed cost.

The civil engineers presentation on the effect that various trains have on passing over under bridges/structures whilst interesting and informative needs to be substantiated by scientific evidence and as such we feel that the analysis to date is insufficient to justify the costs identified for freight and passenger vehicles.

4. What are your views on our proposal to apportion costs between freight and passenger traffic based on the CP4 allocation methodology?

We are satisfied with this proposal updated from the CP4 approach.

5. What are your views on our proposal that the most appropriate way of placing a cap on charges is likely to be to determine a maximum average £ per kgtkm rate for freight traffic (as opposed to a maximum £m absolute value)?

We support the determination of a maximum average £ per kgtkm rate for freight traffic.

6. What are your views on our proposed confidence interval of +/- 20%?

This would suggest that either Network Rail do not have 'confidence' in VTISM or are deliberately loading against the 'one way bet' and we would propose that a more realistic figure of 10% should apply.

7. What are your views on our proposal that it would be prudent to cap charges at the upper limit of our +/- 20% confidence interval i.e. £1.81 per kgtkm?

As Q6.

8. Do you have any other comments?

The proposed 20% confidence interval (mark up) would bring uncertainty to the industry and this would ultimately be translated to the customer who would lose confidence in rail.

Freight only line charges

9. What are your views on the freight only line definition established in PR08?
We do not see any reason at this time to change the definition and the status quo should remain.

10. What are your views on the initial list of freight only lines set out in Annex B?

The nuclear freight only lines show three 'new' lines, this coupled with an 83% increase in costs suggests that these lines were omitted last time round! This does not instil confidence in the Network Rail knowledge of their network.

11. What are your views on the track kilometres contained in the freight only line list in Annex B?

This is probably coupled with Q10 in that the total nuclear mileage is less than 40 kilometres at an estimated cost of £1.85m?

12. What are your views on the commodity traffic splits contained in the freight only line list in Annex B?

More detail/data is required to understand the commodity splits.

13. What are your views on our proposed methodology to adjust for the fact that some lines carry multiple commodities? Where freight only lines carry multiple commodities our proposal would (consistent with the approach in CP4) be to charge those commodities deemed capable of paying toward fixed costs based on their share of total tonnage (kgtkm) conveyed on these lines?

If as expected that ESI coal and nuclear are the only two commodities deemed capable of bearing the fixed costs of freight only lines and either of these commodities run over a freight only line say once a week but other operators/commodities travel over the line 10 times a week how visible would the VUC mark-up application be in these circumstances.

14. What are your views on our proposed confidence interval of +/- 20%?

See Q 6,7and 8

15. What are your views on our proposal that it would be prudent to cap charges at the upper limit of our +/- 20% confidence interval i.e. £8.15m and £1.85m for coal ESI and spent nuclear fuel respectively?

As above

16. Do you have any other comments?

If the estimated costs for nuclear freight only lines remains at £1.85m and the VUC continues to apply a mark-up towards the fixed costs then there must be clarity as to how the mark up is arrived at.

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