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Dear Ben

Direct Rail Services is pleased to respond to the PR13 consultation on the allocation of the Variable Usage Charge for control period 5. We would also like to take this opportunity to thank you for agreeing to an extension of the deadline to enable this response.

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

Comments

DRS appreciate the level of engagement with industry and the involvement of independent bodies involved in the VUC review and applying the science. We do however, have concerns that as technology and science continues to develop and with the propensity to materially increase charges as the Serco revised formula would seem to indicate; at which point will these and other charges proposed through this and future periodic reviews make rail freight untenable?

We fully support Network Rail's view of deferring the Serco analysis through CP5 to inform charges for CP6 and would add that it is refreshing that it would also appear that NWR understand the impact of material increases of charges not only on the rail industry but on the associated wider industry.

Specific questions

Question 1: What is your view on the surface damage percentages estimated for each activity in Appendix 2 and our proposal that 78% and 22% of track variable usage costs should be attributed to vertical and horizontal rail forces respectively?

The science would appear to bear this out.

Question 2: Do you have any comments on the analysis carried out by Serco in order to re-calibrate the existing equivalent track damage equation?

As Q1

Question 3: Do you consider that for CP5 we should use the revised 'hybrid' track damage formula derived by Serco, incorporating the existing Ct factor in its current format, to apportion vertical track variable usage costs between vehicle classes? Or

Do you consider that the existing equivalent track damage formula should be retained for CP5, alongside a commitment from the industry to, as part of the wider charges review in early CP5, to better understand the Serco analysis for potential implementation in CP6?

Ultimately any decisions on charges for CP5 will, however, be a matter for ORR. If it were to be concluded that the existing equivalent track damage equation should be retained for CP5, we would also propose using this equation to apportion the relevant non-track variable usage costs, rather than the revised 'hybrid' track damage formula recommended by Serco.

We agree that the existing track damage formula should be retained for CP5 in order to give operators a chance to better understand and gain confidence in the science.

Horizontal track variable usage costs

Question 4: Do you have any comments on the analysis in Appendix 3? What is your view on our proposal to update the existing methodology such that it incorporates a new damage calculation methodology (comprised of separate components for grinding, RCF and wear), a coefficient of friction on the flange of 0.1 (to reflect better lubrication), sample track alignment variations and values of T_{\square} for the trailing wheelset of a bogie?

As previously mentioned we need to better understand the science and would reiterate our worry of increased science equals increased charges.

Question 5: Would you like to provide any tare and laden vehicle dynamics models in order to facilitate revising an existing, or creating a new, curving class for CP5?

DRS are currently unable to provide such a model.

Question 6: What is your view on our proposal to retain the existing equivalent structures damage equation for apportioning metallic underbridge variable usage costs but using a modified axle load exponent of 4 rather than 4.83?

DRS are not in a position to give an informed technical response to this question.

Question 7: What is your view on our proposal to use the revised equivalent track damage equation for apportioning embankments, culverts and brick and masonry underbridge variable usage costs?

It would appear that there is insufficient evidence to do anything else and would suggest using the revised equivalent track damage equation until further analysis determines the axle load, speed and spacing exponents.

Question 8: What is your view on our proposal to apportion the 50% of signalling variable usage costs estimated to be load related using the equivalent track damage formula and the 50% of signalling variable usage costs estimated not be load related based on vehicle miles?

The Serco recommendation would appear to be an improvement on the existing method of apportioning track variable usage costs and as such we would agree with this.

Vehicle characteristics that inform VUC rates

Question 9: What is your view on the draft list of vehicle characteristics contained in the spreadsheet attached to the covering email accompanying this consultation? Do you consider that any of these should be amended (if so, please provide supporting evidence where possible)?

No comment

Question 10: What is your view on our proposal that for existing vehicles, not subject to vehicle modification, VUC rates should 'locked down' for CP5?

we agree with this proposal

Question 11: What is your view on our revised freight operating speed estimates and the methodology used to derive them? Would you like to provide any further information in relation to freight operating speeds?

We concur with this on the understanding of 'operating speed estimates'.

Question 12: What is your view on our proposal that the default approach should be that passenger operating speeds are estimated using the existing CP4 formula unless evidence, based on the timetable, that an alternative operating speed is more appropriate is provided? Would you like to provide any evidence, based on the timetable, that an alternative operating speed is more appropriate?

No comment

Temporary default rates

Question 13: What is your view on our proposal to retain a default rate for freight vehicles and introducing a default rate for passenger vehicles in CP5?

We agree with this proposal.

Question 14: What is your view on our proposed default rate 'bands' and that the respective rate for each of these bands should be the highest relevant vehicle rate on the CP5 price list?

The VUC is levied on a 'national average' and the default rate at an average would seem to be consistent with this.

An example is given of an operator having a cheaper default rate than the bespoke rate for a number of years however, this proposal could financially disadvantage an operator who for various reasons might not have the information required to arrive at a bespoke rate and then be subjected to the highest rate of a particular band.

Rates for modified vehicles

Question 15: What is your view on our proposal to adjust VUC rates during the control period in light of vehicle modifications?

We would suggest that if the operator made the modifications of their own volition then perhaps this could apply, conversely if the operator had to make the modifications through circumstances out with their control and the outcome of this was to be a VUC rate increase then this would be unfair and could have adverse effect on the operators business.

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