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Joel Strange,
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Dear Joel,

First consultation on the station Long Term Charge in CP5

This letter sets out TfL's responses to the questions posed by the consultation. TfL is content for the contents of this response to be published.

Question 1: Do you agree that the established LTC structure should be retained in broadly its current form in CP5?

TfL agrees with the retention of the current structure during CP5.

Question 2: Do you agree that the cost of capital associated with stations should continue to be excluded from the LTC?

TfL agrees that the cost of capital associated with stations should continue to be excluded from the LTC.

Question 3: Do you agree that SISS costs should be recovered by means of the LTC rather than fixed charges in CP5?

TfL is prepared to accept this approach provided that it does not result in an increase in the overall level of access charges paid by any operator to Network Rail. It is essential that the SISS costs levied reflect investment made by third parties in CCTV and customer information systems. Where third parties have invested in such systems through the funding of associated capital and/or operating expenditure such costs this should be excluded from any SISS charges levied to ensure that operators are not charged twice for the provision of such systems.

Question 4: As a general principle, do you agree that the industry should move to a portfolio charging structure for the LTC in CP5?

TfL has no objections to a move to portfolio charging, provided that the maintenance and investment programme proposed continues to take full account of the specific requirements of individual stations. This is important as the stations within any particular portfolio are likely to vary in character and design to as significant degree. Operators must be given the opportunity to influence the investment programme at the station level to ensure that it reflects their reasonable requirements at each location covered.

Question 5: Do you agree with the specific approach to portfolio billing described in the preceding paragraphs?

The approach taken must ensure that accurate station level bills can be calculated by Station Facility Owners to support any offcharging required to other operators at the stations concerned.

Question 6: Do you agree with the proposed methodology for translating expenditure into charges at franchised stations in CP5?

TfL agrees with the proposed approach provided that it does not result in an overall increase to the access charges paid by operators to Network Rail. Any charges levied must exclude investment (including capital and operating expenditure) and made by third parties in station infrastructure, to ensure that operators are not charged twice for the provision of such enhancements. Any generic overlays used need to be adjusted to reflect the impact of investment by third parties.

Question 7: Do you agree with the proposed methodology for translating expenditure into charges at managed stations in CP5?

TfL agrees with the proposed approach provided that it does not result in an overall increase to the access charges paid by operators to Network Rail.

Question 8: What are your views about the LTC in light of the transfer of MRR activities to SFOs on some routes?

Any transfer of station maintenance responsibility to third parties from Network Rail on a long lease basis must be accompanied by a full consideration of the following factors:

- Any investment funded by third parties at the station(s) concerned, to ensure that this is not included in any costs charged by Network Rail to facilitate the transfer;
- Dilapidations. Network Rail should fund the works required to bring the station back to its correct condition prior to transfer. Network Rail should bear these costs alone;
- Sunk capital costs. Where capital expenditure **on enhancements** at a station has been funded by Network Rail and placed on the Regulatory Asset Base, Network Rail should be entitled recover such costs at the point of transfer provided that they are subject to depreciation and are demonstrated successfully by Network Rail. Provisions relating to sunk capital costs should not be applied to any investment required to maintain or replace assets in a modern equivalent form. Such expenditure reflects Network Rail's stewardship responsibilities and may form part of works to address dilapidations prior to any transfer.

Question 9: What are your views about our proposals for industry engagement as part of the process to set LTCs in CP5?

The process appears to lack opportunities for ongoing stakeholder involvement beyond written consultations and the planned workshop. Opportunities for gaining greater involvement from the rest of the industry through a working group (for example) should also be considered.

Question 10: Do you agree that for Managed Stations SISS maintenance and repair should be bought together as a landlord responsibility, and therefore be included in the LTC for CP5?

TfL agrees with the proposed approach provided that it does not result in an overall increase to the access charges paid by operators to Network Rail. As discussed above, any charges levied at the Managed Stations must not include the value of any third party investment in capital and operating expenditure at the Managed Stations.

Yours sincerely,

Alan Smart,
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Rail Planning team.