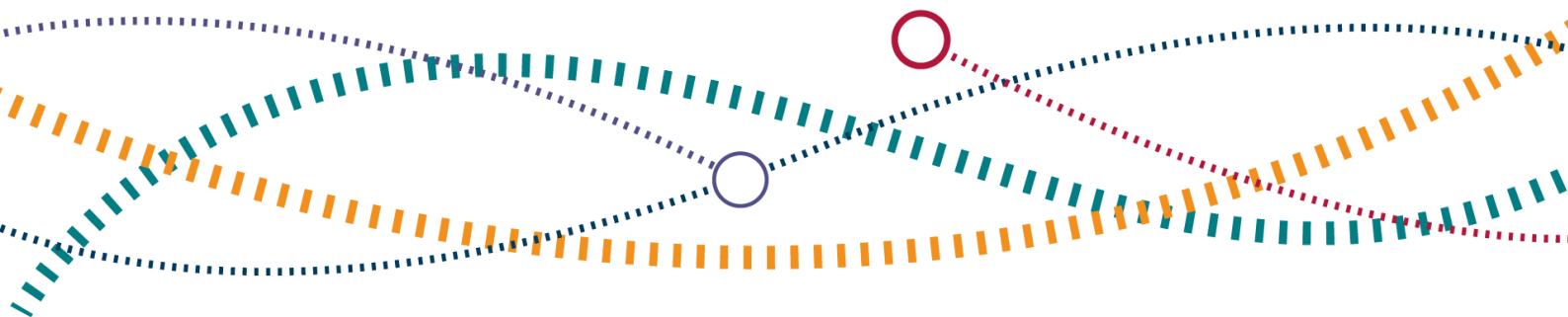




Charter operators access pricing workshop

Workshop summary

25 October 2024



Workshop summary

Context and purpose of the workshop

- 1.1. In our PR23 Final Determination we committed to work with stakeholders of the GB rail network in advance of the next periodic review to (i) better understand issues that were raised with the access charging regime for Network Rail's infrastructure during the PR23 process and (ii) support developing solutions.
- 1.2. We invited charter stakeholders to an online workshop on 1 October to support this process. The purpose of the workshop was to gather stakeholders' views on issues with the access charging regime and potential solutions to those issues. The findings from these workshops will inform ORR's planned consultation in early 2025 on potential changes to the approach to calculating access charges ahead of the launch of PR28 in 2026.

Workshop setup

- 1.3. Ahead of the workshop, attendees were sent a document outlining the current charging regime and slides with background material and questions on: a draft set of objectives for the charging regime for the next price control period (Control Period 8 - CP8); the proposed scope of the ORR's review; and deeper dives on the Variable Usage Charge (VUC), as it relates to Charter operators, and the Charter slot charge.
- 1.4. These topics had been identified through ORR analysis and also stakeholder consultation during PR23, as key areas for the review of how access charges are calculated although the scope of the review was a topic for discussion at the workshops. Attendees were also invited to read the report [Options for Changes to the Access Pricing Regime](#), published by ORR in August 2024.
- 1.5. In addition to charter stakeholders, representatives from Network Rail attended the workshop.

Scope of the review

- 1.6. There was broad support for the proposal that a charging framework should:
 - (a) Incentivise **performance and efficient** use of the network - variable charges should reflect the efficient costs that are directly incurred.

- (b) Support **asset and financial sustainability** – this is achieved not only by variable charges recovering directly and efficiently incurred costs, but also by ensuring that market segments that can bear a mark-up contribute to efficiently incurred fixed costs.
- (c) **Practicability and simplification** – not unduly complicated and should minimise the risk of unintended consequences.
- (d) **Transparency and predictability** - readily explainable.

- 1.7. Simplifying access charges to allow quick responses to customer requests for new business was thought to be particularly important. It was felt that this would greatly benefit the rail freight sector as it would enable the quicker calculation and provision of indicative prices to potential customers. This would help secure new business and reduce the loss of business to road.
- 1.8. Participants highlighted the potential impact of rail reform and the need to take that into account and focus on areas that were likely to be relevant irrespective of the nature of rail reform.
- 1.9. There was agreement on the covering areas in the proposed scope:
- VUC (4% of Network Rail's CP7 income)
 - Capping policy for freight and charter
 - Reducing complexity of the calculation of the charge
 - Incentive properties of the VUC
 - VUC price list simplification
 - Both calculation and presentation
- 1.10. Although there was a view EC4T should be included as:
- Operators can find it difficult to calculate and unpredictable. There is uncertainty and a lack of confidence in the charge.
 - The number of variables involved in setting the charge, such as the price of electricity and the wash-up mechanism, made it difficult to calculate the charge.
 - The lack of predictability is a barrier to choosing electric – the default rolling stock option is diesel as costs are predictable. EC4T costs are variable and

impacted by external factors whereas diesel prices can be hedged in advance so there is certainty around the price.

- The current setup is especially unhelpful for those with unmetered traction. It was noted that it is cost prohibitive to retro-fit vehicles with meters and that if it was affordable, operators would do it.

- 1.11. A suggested improvement to EC4T charges was to remove the wash-up mechanism and have a far more simple approach.
- 1.12. A lack of incentives around the green agenda was also raised. It was suggested that incentives on EC4T, if done effectively, could drive the green agenda via activities such as decarbonisation.
- 1.13. One operator flagged that it moved electrical traction trains around the network (that were not charter or freight trains) for purposes such as testing units and EC4T adds an additional complication to these activities.

Variable Usage Charge

- 1.14. It was stated that rail's competitiveness (in relation to road) is being undermined currently by the real term price increase in each year of the control period due to the unwinding of the cap. This raised the question of the efficiency of the Infrastructure Manager, which is an area of concern.
- 1.15. One operator highlighted that, in relation to the overall network, charter traffic is generally so small that it cannot have any real cost/impact on the infrastructure. This raised the question of whether it was worth the time, effort and money to change something. They also pointed out that if you priced in road safety and accidents there was a cost to that as well, in societal terms.
- 1.16. A comment was made on the assumed formation of charter services within the VUC charge and that this was developed at least two control periods ago. It was questioned whether there is an approach to update this. It was seen as a positive development to determine a set of planned formations to simplify the charges.
- 1.17. Operators agreed that the choice of rolling stock was largely determined by the choice of service requested. They agreed that the VUC does not influence the choice and it is not worth the time and effort to look at different rolling stock types.

Charter slot charge

- 1.18. Proposals to retain the charter slot charge in its current form were broadly accepted.

- 1.19. Operators agreed that Network Rail's specialist charter team did an excellent job.
- 1.20. One stakeholder observed that, at least within their organisation, most of the charter train crews acted as mobile operators managers who operate the local ground frames. For example, they undertook shunting activities when the trains went into sidings and therefore a charge is being incurred for activities they can do themselves. This could imply an element of over-recovery.
- 1.21. Following the workshop a stakeholder flagged that the station access charge that charter operators pay when they call at stations could be looked at. They stated that at many stations, the traincrew (although competent) are not permitted by local instructions to press the TRTS (Train Ready To Start) or the RA (Right Away) plunger to commence and activate the departure procedure. This charge covers the cost of station staff acting as the train operator's agent in station safety critical duties as well as punctuality issues. However, charter operator can incur a per minute delay due to station staff not being available to commence the dispatch procedure.



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