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Dear Kevin

Schedule 8: Our approval of the baseline annual contract mileages for freight operators

1. We refer to your email of 12 April 2024, in which you asked us to approve the freight operators' Baseline Annual Contract Mileage for Control Period 7 (CP7), which runs from 1 April 2024 to 31 March 2029. This letter sets out our approval of the Baseline Annual Contract Mileage for freight operators in respect of the Schedule 8 regime for CP7. Capitalised terms used in this letter are defined in the freight operator track access model contract.

Background

2. In the freight operator Schedule 8 regime, freight operators and Network Rail have reciprocal annual caps on the net annual liability they face under the Schedule 8 performance regime. The purpose of the annual caps is to provide certainty to freight operators and Network Rail on their maximum Schedule 8 liability for any year.
3. Paragraph 10.2 of Schedule 8 in the freight operator track access model contract sets out that each freight operator's Baseline Annual Contract Mileage will, each year from 1 April 2025, be compared to the Annual Contract Mileage in that financial year. If the difference between a freight operator's Annual Contract Mileage and its Baseline Annual Contract Mileage is equal to or greater than 2.5% of the Baseline Annual Contract Mileage, the reciprocal annual caps will be reviewed and Network Rail can propose a new reciprocal annual cap.
4. The Baseline Annual Contract Mileage for each freight operator is the actual train mileage it has been billed for in the last financial year of CP6, (i.e. 2023-24). This figure is a total of the operator's contract mileage as specified

in the Rights Table in Schedule 5 of the Track Access Contract, and any other actual train mileage incurred for services.

5. At the time of ORR issuing the PR23 review notices, Network Rail could not provide us with the Baseline Annual Contract Mileage for each freight operator as it required freight operator mileage data up to and including March 2024. As a result, the Baseline Annual Contract Mileage specified in Appendix 1 to Schedule 8 of each freight operator's Track Access Contract shall be that number approved or determined by ORR and which shall take effect from 1 April 2024.

Proposed Baseline Annual Contract Mileage

6. The Baseline Annual Contract Mileage for each freight operator that Network Rail asked us to approve is set out below in Table 1.

Table 1: Freight operator Baseline Annual Contract Mileages

Freight operator	Baseline Annual Contract Mileage
Colas Rail Limited	[redacted]
DB Cargo (UK) Limited	[redacted]
Devon and Cornwall Railways Limited	[redacted]
Direct Rail Services Limited	[redacted]
Freightliner Heavy Haul Limited	[redacted]
Freightliner Limited	[redacted]
GB Railfreight Limited	[redacted]
Hanson & Hall, Rail Services Solutions Limited	[redacted]
Harsco Rail Limited	[redacted]
Locomotive Services (TOC) Limited	[redacted]
Loram UK Limited	[redacted]
Rail Operations (UK) Limited	[redacted]
RailAdventure UK Limited	[redacted]
Varamis Limited	[redacted]

Freight operator	Baseline Annual Contract Mileage
Victa Railfreight Limited	[redacted]
West Coast Railway Company Limited	[redacted]

7. In your 12 April 2024 email, you explained that the Baseline Annual Contract Mileages in Table 1 are each freight operator's train mileage in 2023-24. You explained that each freight operator has been consulted on its Baseline Annual Contract Mileage, and that no operator has objected to its proposed figure.

ORR's view

8. Based on the approach you have used to calculate the proposed Baseline Annual Contract Mileage for each freight operator, and the engagement you have had with operators, we hereby approve the Baseline Annual Contract Mileages shown in Table 1 for each freight operator, which shall take effect from 1 April 2024.

Yours sincerely,

Will Holman