

## **PR18: Schedule 4 and 8 Re-calibration Working Group**

### **Meeting 4: Note of the freight operator Re-calibration Working Group meeting held on 27 June 2017 at ORR's London offices**

#### **The purpose of the note**

1. This note summarises the actions and key decisions agreed in the freight operator meeting of the Schedule 4 and 8 Re-calibration Working Group (hereafter: the Working Group) held on 27 June 2017.
2. The Working Group discussed: (i) what has been agreed so far on Schedule 8; (ii) what has been agreed so far on Schedule 4; (iii) the proposal not to have a 'mini' consultation on areas of re-calibration; and (v) the next steps for the freight Schedule 4 and 8 re-calibration.
3. The slides ORR presented in the meeting are available on the ORR website<sup>1</sup>.

#### **What has been agreed on Schedule 8**

##### **4. Points of clarification**

- ORR clarified that, in the event that they do not approve the methodology or evidence used for any aspect of the re-calibration, they would decide the next steps on a case-by-case basis, although the default position would be to revert to the status quo. ORR stressed that consulting them throughout the re-calibration process was the best way to ensure that the end results were approved.
- ORR explained that it is not possible to directly assess whether the payment rates in the passenger Schedule 8 regime accurately reflect the impact unplanned disruptions have had on passenger operators' long-run revenues. This is due to the difficulties of isolating the impact of unplanned disruptions from other changes, such as changes to the wider economy and to the price of travelling on other modes of transport.
- A freight operator raised a question on what impacts the Network Rail payment rate in the freight regime can reflect. ORR clarified that it would consider any

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<sup>1</sup> [http://orr.gov.uk/data/assets/pdf\\_file/0018/25524/slides-on-schedule-4-and-8-recalibration-27-june-2017.pdf](http://orr.gov.uk/data/assets/pdf_file/0018/25524/slides-on-schedule-4-and-8-recalibration-27-june-2017.pdf)

unavoidable cost or revenue impacts of delay or cancellation that freight operators are able to robustly demonstrate.

- ORR explained that the Network Rail freight benchmark should be set on the basis of the expected level of performance for freight operators. This may mean setting it on the basis of the CP6 regulated output for freight operators, but that will depend on whether or not the regulated output is set on the basis of expected performance.
- ORR confirmed that they have not made a decision on the annual adjustment to the freight operator benchmark. ORR will consider the financial impact on freight operators carefully and discuss the issue with freight operators before making a final decision.

## What has been agreed on Schedule 4

### 5. Points of clarification

- ORR confirmed that the current plan is for a relatively simple re-calibration of the freight Schedule 4 regime, i.e. an inflation uplift to the total budget and the payment rates.
- ORR explained that if freight operators want the total budget for the freight Schedule 4 regime to be increased above the rate of inflation freight operators need to discuss this with funders.
- On contractual wording issues ORR explained that the issues already received are being collated and that there is still time for operators to raise additional issues.

### 6. Concerns raised

- A freight operator raised a concern that Network Rail currently manages possessions poorly and suggested that to address this more fundamental changes to Schedule 4 are needed.

## The ORR 'mini' consultation

### 7. Points of agreement

- The Working Group agreed that a 'mini' consultation on Schedules 4&8 is no longer necessary since no policy decisions that require consultation have been made.

- The Working Group agreed with ORR's proposal to publish a note summarising what has been agreed to date in the Re-calibration Working Group meetings.

## Next steps for this Working Group

### 8. Points of agreement

- It was agreed that the next step should be for freight operators and Network Rail to meet to discuss how to proceed on the different aspects of the re-calibration, in particular to develop a timeline for the process.
- The Working Group agreed that however freight operators and Network Rail decide to take these meetings forward ORR should continue to be involved, however ORR do not necessarily have to attend every meeting. It is up to industry to manage ORR's involvement.

### 9. Points of clarification

- ORR confirmed that this was the last freight operator Re-calibration Working Group meeting that will be led by ORR.

### 10. Actions

- **Freight operators and Network Rail** to organise a meeting to discuss the next steps for re-calibrating the regimes and develop a timeline.

## Attendees

Name	Organisation
Greg March	Colas
Nigel Oatway	DBS Cargo
Norman Egglestone	DRS
Lindsay Durham	Freightliner
Danny Matthews*	GBRf
Peter Swatridge	Network Rail
Caitlin Scarlett	Network Rail
Alexis Streeter	Network Rail
John Thomlinson	Network Rail
Rachel Gilliland	Network Rail
Alexandra Wrightson	Network Rail
Deren Olgun	ORR
Joel Moffat	ORR
Sheona Mackenzie	ORR
Yasmine Ghazzi	ORR
Bill Davidson	RDG
Agnes Mckeever	Transport Scotland

\*Joined the meeting by phone