

John Trippier

Office of Rail and Road,
2nd Floor, One Kemble Street
London
WC2B 4AN

10th March 2016

Dear John,

CHARGING FRAMEWORK FOR THE HEATHROW SPUR

We welcome the opportunity to respond to ORR's consultation on the charging framework for the Heathrow Spur. This letter is the Rail Delivery Group (RDG) response to that consultation.

ORR's consultation document considers specific issues in relation to the Heathrow Spur, which is owned and operated by Heathrow Airport Limited (HAL). ORR proposes not to allow HAL to levy historical costs of constructing the Heathrow Spur on its users, although it would not be prohibited from recovering any future long-term costs. ORR's consultation document is narrowly focused on the question of legality, rather than the underlying economics of the policy decision.

In this letter, I have highlighted some areas where ORR's conclusions could have implications for other parts of the GB rail network, rather than commenting on HAL's particular circumstances or ORR's interpretation of legislation.

The rest of this letter discusses the following issues:

- the need for a whole-network approach to charging; and
- the potential impact on future investment in rail infrastructure.

Whole-network approach to charging

A key element of RDG's Vision for Charges and Incentives¹ is that there should be a whole-network approach to the charging framework (although it may be different for customers with different characteristics). Without a whole-network approach, different methodologies can create inconsistencies that can worsen the understanding of the regime amongst users, and also reduce the predictability and simplicity of the regime.

A single methodological approach to charging can still allow for differences between the characteristics of each part of the railway to be reflected in the regime. However, any differences in the levels of charges should reflect real differences in the network or services provided, rather than an arbitrary difference in methodology.

Whilst, in certain cases, there may be compelling reasons to adopt a different approach to charges, ORR should ensure that it consistently applies relevant legislation to all rail infrastructure managers across Great Britain to avoid arbitrary differences across the network.

When concluding on the charging framework for the Heathrow Spur, ORR should consider the degree of consistency between the charging regimes for the Heathrow Spur and the rest of the GB

¹ RDG's Vision for Charges and Incentives was developed as part of RDG's Review of Charges project and is available at: http://www.raildeliverygroup.com/files/Publications/2014-12_rdg_review_of_charges_phase_1_vision.pdf.

rail network. This is an issue that will become increasingly important if there are a greater number of infrastructure managers across the GB rail network.

Impact on future investment in rail infrastructure

Whilst the Heathrow Spur may be considered to be a very specific case, ORR should be mindful that its decisions on this issue could influence the willingness of investors to provide funding for future rail infrastructure schemes. For example, it may increase the perceived risk that the regulator may not allow infrastructure owners to recover construction costs of future schemes from its users.

This is a particularly important issue as the industry is currently exploring opportunities for third parties, i.e. non-government sources, to finance and fund rail infrastructure improvements.

If you have any questions in relation to the content of this letter, I would be happy to discuss these with you further.

Yours sincerely,

Elizabeth de Jong

Policy Director, Rail Delivery Group

cc. Members of RDG's Contractual and Regulatory Reform Working Group (CRRWG)

The Rail Delivery Group (RDG) was established in May 2011 to bring together the owning groups of passenger and freight operating companies and Network Rail. Its purpose is to enable the organisations it represents to succeed by delivering better services for their customers. This ultimately benefits taxpayers and the economy.