

## National Express response to consultation

### Arrangements for establishing access charges for CP4

This response is submitted by National Express on behalf of National Express, National Express East Anglia and c2cRail. We confirm we have no objection to our comments being made public.

#### General Comment

We believe the arrangements introduced for PR08, whereby Network Rail prepared charges proposals within a framework set by the ORR, and results checked and approved by the ORR, worked well and could form the basis of an approach for the preparation of detailed charges for PR13. We would urge that there is a requirement for earlier and more thorough/meaningful involvement of TOCs. This would formalise the arrangements now in place but only achieved after much pressure from TOCs.

#### Future development

We offer the following observations (in no particular order of importance) that we believe should be incorporated in the arrangements for PR13. We recognise that some are more reflective of charging policy.

1. the means whereby access charges are prepared needs to be compatible with whatever general policy arrangements are put in place for the remuneration of Network Rail in CP5 - in particular, arrangements must ensure that NR's charges are not proposed in a manner that protects them from the intended constraints on their expenditure during CP5 – broadly that the income achieved corresponds to the income allowable
2. for PR08 NR offered more disaggregated costing. We believe an extension of this should be a requirement imposed by the ORR. We further believe that the disaggregation should be designed by customer requirements (as opposed to what is convenient for NR).
3. we have indicated in previous consultation responses that we believe the desire for more cost-reflective charges may have incurred excessive cost for the Periodic Review and this is supported by the non-adoption of certain features in PR08. We believe the granularity of charges should be set only to the level that is of use by customers in assisting them in making decisions. For instance, it is unclear what practical use in management decision making an electrification usage charge has. We look forward to further discussions as the preparations for the Review progress.
4. we believe the ORR should seek an approach to regulating Network Rail's income and charges that is more reflective of what its customers are prepared to pay, rather than what the ORR and Network Rail feel it needs. We would refer back to the Sector structure in British Rail where every part of the infrastructure had a customer who was incentivised to challenge the need for its existence and its maintenance and renewal costs. By this means substantial cost reductions were achieved. We do not believe the current industry approach yet enables such an approach to efficiency.
5. In addition, we would advocate a mechanism to allow NR charges to be reduced in the event of an economic downturn to reflect an agreed reduction in local outputs between TOCs and NR. There already exists a means to increase

charges if expansion of the railway occurs. This would allow sensible adjustment to TOCs costs in such circumstances. TOCs for instance may be prepared to take a risk on additional speed restrictions through renewal deferrals. The present arrangement whereby the ORR requires cost savings which NR interpret in activity reductions appears to us to be detached from the end-customer-serving part of the industry.

6. We think it is absolutely vital that NR is incentivised in a manner that enables customer needs to be reflected. Recent reports of the withdrawal of dynamic track stabilisers, leading to longer periods of reduced relaying handback speeds is a good illustration as NR will see this merely as a cost saving without the customer disadvantage being reflected on NR in any way (as the journey time extension is included in engineering allowances – although under the ‘control’ of the industry there is no incentive on NR to reduce these over time).
7. for PR08, much of the industry scrutiny of proposed charges was in reality a sense check to address data inaccuracies (e.g. incorrect vehicles being included for certain TOCs) and any wide changes to charges which suggested incorrect data being used. TOCs were not in any position to challenge the levels of charges – they were really presented as a ‘take-it-or-leave-it level. We do not believe this is a healthy position for the industry to be in and would ask that addressing this be considered during the development of arrangements for this Review.
8. In para 20 of the consultation document we note the requirement for access charges not to discriminate between users of the network. We find the non-application of fixed charges to open access operators somewhat at variance with this objective!

Malcolm Pheasey  
Policy Director  
26 January 2010