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Economist
Office of Rail Regulation
1 Kemble Street
London WC2B 4AN

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Dear Ekta

Review of arrangements for establishing access charges for CP4

London and South Eastern Railway Limited (Southeastern) welcomes the opportunity to comment on the review of arrangements for establishing access charges for CP4.

Southeastern's view is that the principles of the process and allocation of responsibilities, that were split between Network Rail and the ORR were appropriate. Major concerns are the timeliness and number of the consultation papers and the co-ordination of these. Train Operating Companies (TOCs) have limited expert resource and there was often the need to request their time to review papers and attend workshops at relatively short notice. Although the plans were to spread these out, in practice, especially near to the start of CP4 it was not always possible to allow sufficient time to review or provide quality inputs that we would have wished to. Other consultations or key work streams within the TOC or from Network Rail or the DfT at times coincided with the issue of papers.

Southeastern would recommend that an 'across the industry' plan be drafted, identifying all key consultations, workshop dates etc. to establish the charges for CP5 along with other major topics, allowing sufficient time for proper considered reviews to take place.

Also as a general point, details behind changes must be thoroughly understood and where systems changed, checked with all parties and fully tested before implementing.

We have a few specific comments to make:

Track Access

- Whilst we are happy with the principal of the revised traction electricity charge we are very unhappy with the TABS process that was brought in to provide more detailed billing details.
 - This process was put in place without any checks being made that the TOCs would be able to cope with the volume of data and have the necessary systems to cope with this
 - Every month re-charging takes place which results in an invoice, or invoices, and several credit notes with no explanation of what the re-charging is for
 - Capacity Charge billing is very complicated and difficult to check as the data is input as a text entry which makes any checking laborious.
- The original Schedule 8 data that was supplied for CP4 was incorrect resulting in delays in implementation.

Station Access

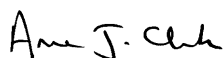
- We feel that, as the asset owners, it is reasonable for Network Rail to have increased authority to develop/set the methodologies/principles on access charges at stations. However we should be mindful that despite the fact Network Rail are focused in maintaining stakeholder management during the process of formulating access charges at stations, they operate as a private company with an objective to increase revenue. As an industry, we are all driven by one goal which is providing public services however our business objectives are different. This should be primarily considered when granting authority during the process.
- In terms of station qualifying expenditure (QX), a fixed charging principle was introduced within CP4. The working group behind these changes worked well with representatives from most TOC owning groups. The details behind the charges became more transparent and there were a number of challenging conversations to make sure that Network Rail could fully justify the amounts. However, the fixed charging principle has reduced the scope for financial visibility and has imposed a constraint in the mechanism to capture material changes which will affect access charges at stations. Under the current charging framework, the operators/users of the station are fully dependant on Network Rail's ability to manage qualifying expenditure within all managed stations. In principle, the fixed charging regime has commercial benefits (i.e. financial forecasting, built in efficiencies) however it limits the ability of users to dispute service level delivery at a station management level on a daily basis (e.g. London Bridge - help desk). It is in the industry's best interests if Network Rail and the TOCs can jointly reduce operating costs, provided service levels are retained or improved.
- In general, the process of producing access charges at stations has worked well on the basis that all users are fully consulted (in all areas) during the process of establishing access charging principles. During the control period, the commercial authority needs to be reviewed. There needs to be a reasonable, fair and flexible framework for capturing material changes at the station which have impact on access charges at the station and with incentives for making improvements for all concerned.

We support that the arrangements for CP4 are continued for CP5 provided appropriate and timely industry feedback is taken into account.

We trust that these comments will be of assistance when you carry out your review.

There is no part of this response which Southeastern would wish to remain confidential and we have no objection to this response being placed on the ORR website.

Yours sincerely



Anne Clark
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Southeastern