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Re: Review of arrangements for establishing access charges for CP4

Dear Ekta

Thank you for your letter dated 25 November 2009 consulting us on the above matter. This letter forms the response of Stagecoach South Western Trains Limited (SSWT).

We consider that in setting the access-charging regime for CP4, neither ORR nor Network Rail had a sufficient understanding of the resource implications for TOCs in implementing the new charges, and the other significant changes to the regulatory regime at the start of the control period, in particular to Schedule 4.

Implementing the CP4 charging and compensation regime has had a significant impact on SSWT, in particular in terms of the huge resources that we have dedicated at a senior level to determine Schedule 9 Franchise Agreement adjustments. The new regime has also created significant funding issues for SSWT due to timing differences between grant and Network Rail charge payment timing.

ORR must give greater consideration to the TOC resources that may be required to implement any changes to the charging and compensation regimes for CP5 bearing in mind the Franchise Agreement TOCs are required to work within. We think that this should be achieved through much clearer ORR dialogue with TOCs during the PR13 process about the impact of such changes.

We would also like to take this opportunity to raise our concern over the effect of the update of the Schedule 8 train operator payment rates for CP4. We consider that the TOC payment rates have been set at a level that disincentivises significant TOC investment in performance. We are also concerned that under the CP4 regime, Schedule 8 payments to Network Rail have significantly reduced (with TOCs rebating the difference to the DfT) and there is a risk that this will make the business case for investment in performance improvement schemes more difficult.

Yours sincerely



Andy West
Finance Director
For and behalf of Stagecoach South Western Trains Limited