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October 14, 2013

Dear John

Capacity charge for freight operators for CP5

I am writing in my capacity as Chair of RDG's Freight Group in response to your consultation letter published on 8 October, we welcome the opportunity to comment on your proposal.

We are pleased that the three options you set out for consultation draw heavily on the RDG Freight Group / RFOA wash-up approach. We note that two of the three options you present in your letter are broadly based on the RDG proposal. It has at this late stage become clear that the ORR seeks to recover a base payment of around £4m p.a. on average over CP5, whatever the detail of the structure. It would have been helpful if the decision on the overall expected payment had been made clearer at an earlier stage, as a lot of time has needlessly been wasted by the industry in developing options that had no reasonable prospect of being adopted.

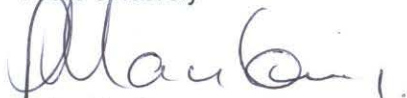
We are aware that you now have little time to complete your Final Determination. Therefore, recognising the limited timeframe, we are prepared to accept ORR's version of the RDG Freight Group proposal with no negative wash-up for freight operators. We think that this should be implemented as a per mile rate for the baseline mileage with a yearly wash-up where a commodity grouping has exceeded the baseline and attach a spreadsheet showing how this would work.

We note that the base figure has no intellectual justification and the proposals have moved some way from the principles of reflecting additional Schedule 8 cost. We therefore see this proposal as a temporary solution for CP5 only, The RDG Freight Group considers that the capacity charge requires a fundamental review from first principles for CP6 and considers that work on this should start as soon as possible once the CP5 Determination is implemented.

RDG Freight Group members are ready to discuss any aspect of the freight capacity charge with you and your team as you finalise your proposals.

I am copying this letter to the members of the RDG Freight Group.

Yours sincerely



Peter Maybury
Chair, RDG Freight Group