



URBAN TRANSPORT GROUP

Consultation Response

Network Rail's consultation on variable charges and station charges in Control Period 6

October 2017

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1. Introduction

The Urban Transport Group brings together and promotes the interests of Britain's largest urban areas on transport. Our full members are Transport for West Midlands, Merseytravel (Merseyside), North East Combined Authority, South Yorkshire PTE (Sheffield City Region), Transport for Greater Manchester, Transport for London, West Yorkshire Combined Authority.

We also have associate members which are Bristol and the West of England Partnership, Nottingham City Council, Strathclyde Partnership for Transport and Tees Valley Combined Authority. However this evidence is on behalf of our full members.

Between them our members serve over 24 million people.

Our members plan, procure, provide and promote public transport in some of Britain's largest city regions, with the aim of delivering integrated public transport networks accessible to all. Several of our members are responsible for extensive light rail and suburban rail networks, each carrying tens of millions of passengers each year.

2. Response

Question 1. Do you consider than any of the proposals set out in this consultation are likely to impact the safety of the network?

We do not anticipate that the proposals will have any impact on the safety of the network.

Question 2. Noting ORR's June 2017 conclusions not to undertake a fundamental review of the VUC for CP6, would you like to propose any other small recalibration changes to the current methodology?

Our previous research has shown that the costs allocated to regional rail networks are disproportionate as they rest on questionable assumptions and the decision that freight should not cover its full costs.

In our '[Heavy Load to Bear](#)' report we summarised the key questionable assumptions that lead to high charges for regional rail services which can give the impression that public support for regional services is poor value for money. These assumptions are:

- Light weight regional trains are allocated track maintenance and renewal costs as if they caused equivalent impact as Inter-city trains, when, in reality, a typical inter-city train causes twenty times the infrastructure damage per mile as the most basic regional train.
- In order to (rightly) keep freight off the roads, the substantial damage that freight trains cause to infrastructure (up to sixty times that of the most basic regional train) are largely ignored. However, the knock on effect is that many of these costs are (wrongly) allocated to regional rail.
- Regional rail gets a small share of investment but a disproportionately high share of investment costs. In 2012/13, regional operators contributed 30% of fixed track access charges and were allocated 32% of Network Rail's overall financing costs but only received 20% of investment.



- Rail network overheads (such as head office functions, signalling, ICT and so on) are allocated in proportion to train mileage. Economic theory suggests it makes more sense to allocate such costs in proportion to commercial revenue, which is current practice in many countries. Prior to privatisation, British Rail went further and allocated the majority of these costs to what was deemed to be the prime user (typically Inter-city services).

To amplify the first point in particular, there are sections of track across the regional network, for example Leeds to Sheffield via Wakefield Westgate, where regional services operate considerably below the maximum track speed. Combined with their lower weight, this means that the costs they incur on Network Rail infrastructure is much less than the heavier and faster long distance trains on the same route.

With this in mind, we would argue that regional railways are over burdened with costs in comparison to the long-distance inter-city services. Regional trains are, in general, both lighter and slower than express inter-city trains, and the wider track access regime should reflect this.

Question 3. Do you have any proposed changes to the list of vehicle characteristics provided in the vehicle characteristics spreadsheet published alongside this consultation? Please provide evidence to support these proposed changes, where possible.

We have no proposed changes to the vehicle characteristics spreadsheet.

Question 4. Do you agree with our proposal to allow operators to reflect line speeds in passenger VUC rates? Do you operate any vehicles for which you would like a bespoke VUC calculated because the maximum line speed over the route on which the vehicle operates is lower than the maximum speed of the vehicle.

We feel that there are examples of where operators run on lines with a line speed significantly below the maximum speed of the vehicle. Particularly on the regional rail network there are large sections of track with very low maximum speeds, meaning that trains are operating significantly below their maximum operating speeds. The key point here is to understand whichever speed is lower, as this determines the amount of wear and tear that should be apportioned.

However, we would caution that there are large variations in the speeds that a specific vehicle class is able to operate, depending on the nature of the service and the track that it is operating on. This differential is again likely to be much greater and more complicated to calculate on the regional network where trains run on lines ranging from high speed inter-city lines (above the maximum speed of the vehicle), to very slow rural branch lines (potentially 30mph or lower). It is possible that a simplistic model of charging one speed for each vehicle category would be much more accurate for long-distance services than for regional services and could lead to regional services being further burdened with the cost of maintaining the network.

If we are going to adapt the methodology it is important to make it as accurate as possible for all rail sectors.



Question 5. Do you agree with our proposal to give operators the option of calculating separate VUC rates for the different variants of motor/trailer vehicles? Would you like separate VUC rates for any of the motor/trailer vehicles that you operate, if so, please provide the relevant vehicle characteristic data

We agree that it should be possible to have different charges for different vehicle lengths as there could be large weight differentials which will impact on the level of wear and tear caused.

This is particularly important as part of a move to recognise that weight is a key factors in causing wear and tear.

Question 6. Do you agree with our proposal to continue to base charter and North Yorkshire Moors Railway (NYMR) VUC's in CP6 on the same typical train formations as were assumed in CP5? If not, please provide any evidence that you have of a more appropriate assumption.

We have no views on this question.

Question 7. Do you agree with the revised cost variability assumptions that we propose to calculate EAUC rates? If not, please provide evidence to support alternative assumptions

It is important that Network Rail works hard to keep the cost of renewals down, and potentially even reduce them where possible. The cost of mid-life refurbishments and component changes have increased significantly in the latest proposals. It is important that Network Rail and the ORR challenge the cost of these replacements and does not simply allow them to keep increasing.

Question 8. Do you agree with the methodology that we have used to recalculate DSLF's? If not, please provide arguments to support an alternative methodology.

We have no strong views on the methodology. It is important that the costs attributed to trains closely reflects their electricity usage, otherwise this can act to de-incentivise the purchase of more efficient trains.

Question 9. Do you agree with the methodology that we have used to recalculate regenerative braking discounts? If not, please provide arguments to support an alternative methodology.

We have no comment on the methodology.

Question 10. Do you agree with the proposal to remove power factors correction values from Appendix 2 of the Traction Electricity rules and, instead, assume that the power factors correction value for all metered AC trains is equal to one?

We have no views on this point.



Question 11. Do you:

(A) Agree with our proposal to introduce default modelled consumption rates for passenger electric multiple units and electrified locomotive hauled passenger services?

We agree with this proposal.

(B) Agree with our proposal to retain the generic consumption rates that currently exist for electrified freight services?

We recognise the importance of rail freight and the strong case there is for rail freight not covering its full costs in order to incentivise modal shift, however consumption rates for freight trains should be modelled to the same degree of accuracy as is the case for passenger services.

Question 12. Do you support our proposed method for calculating station long term charges at franchised and managed stations? If not, please provide evidence to support using an alternative methodology.

We support in principle the method of calculation for station long term charges, but would like to understand the impact on individual operators especially at managed stations.

There is considerable evidence of the benefits of a greater degree of devolution of responsibilities for stations. These include identifying and channelling local funding streams to fund improvements, integration with the wider local transport networks, greater operational efficiencies and plugging stations into wider regeneration, housing and community opportunities and objectives.

Having detailed information about the cost implications will help to inform decision making on how best to move forward on devolution and greater transport authority involvement in line with local circumstances and aspirations.

Question 13. Do you agree with our proposal to levy a profit element of 6-10%? Please provide evidence to support any alternative proposals.

The profit element seems very high for a public sector body. We would like to know what this profit margin would be invested in, but think it is hard to justify.

Question 14. Are you a station facility owner (SFO) and, if so, will you provide us with data on the profit element you levy as part of QX at those franchised stations where you are SFO.

We are not a station facility owner.