



# *Network Rail*

## *– views on Schedule 4*

*11 November 2011*

## *The importance of price signals*

Does current regime provide the right signals?

- Reflects both revenue loss and costs
- Signals rather than precise values
  - Exact pre-estimates of Schedule 4 are difficult
  - Benefit of “piggybacking” possessions is clear but this also makes it harder to transmit explicit signals to work planners

## *Are the incentives right?*

- As an incentive, Schedule 4 is well understood
  - Incentive to disrupt less and book possessions early is clear\*
  - Other mechanisms provide additional incentive to plan effectively
- Does the incentive structure reflect how passengers get their information and plan their journeys in the 2010s?
  - Are the discounts set at the right level?
  - What message should the discount structure give to Network Rail?

## *Design of the Schedule 4 regime*

- Importance of liquidated sums regime
- Access Charge Supplements (ACS)
  - Does not set accurate expectations at TOC level
  - How should this be managed?
- Free possessions allowance
  - Impact on price signals?
  - Incentive to find least disruptive access?

## *Other issues*

### Avoid perverse incentives in times of extreme disruption

- Joint Restriction of Use in extreme weather?

### Review contractual wording to

- Encourage the right collaborative behaviour (as above)
- Improve understanding of Sustained Planned Disruption (SPD) or late changes to possessions

### Reviewing cost compensation data for CP5

- Validate assumed responses to possessions in Appendix B (external support needed?)

## *Freight Schedule 4 regime*

This is working as intended

- Clear signals about the impact of disruption
- Straightforward to administer
- Minor clarifications required on some of the qualifying criteria for payments

## *Schedule 4 under alliances*

### Keep simple default regime at national level

- Recognise there may be challenge to default regime at local levels and potential to work together on e.g. access planning
- Leave significant amendments to alliancing discussions (unless there's consensus on a change)
- ACS arrangements can make it difficult to “turn Schedule 4 off”