

# *Periodic Review 2013*

## *Freight performance regimes*

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OFFICE OF RAIL REGULATION

# *Issues*

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- Recalibration
- Payment curve
- Cancellations
- Link to Service Variations

## *Service variations (Schedule 4)*

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- Have there been any perversities or conflicts with Schedule 8?
  - More cumbersome to administer?
  - Issues with ITPS?
  - Issues with PDI-F?

## *Re-calibration*

- Should Network Rail payment rate be reviewed (other than being indexed for inflation)?
  - Have FOC cost structures changed?
  - Could 'Freight Value of Time' findings be factored in?
- FOC payment rate to be adjusted in line with 'star model' update
- Benchmarks to be reviewed on basis of new 'calibration period', probably two years
- Network Rail trajectory to depend on Plan
- Should there be a FOC improvement trajectory?

## *Payment curve*

- Freight regime is currently unique in terms of bonuses being paid at half of compensation rate – reflecting lack of MRE concept for most freight revenue
- However, this seems to have led to larger number of disputes and longer time to resolve for some operators
  - Transaction costs
  - Commercial relationships
  - Cash flow
- Would a single 'straight' payment rate be better?

## *Cancellations*

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- Absence of benchmark means that payments by Network Rail are not explicitly funded within the regime. Is this an issue?
- Has higher rate threshold percentage been appropriate?

## *Discussion*

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- Any other issues not captured?