

PR18 Reviews of Schedules 4 and 8 of Track Access Contracts

Response from Rail Freight Group

January 2016

1. Rail Freight Group (RFG) is pleased to respond to the ORR's consultation on the review of Schedules 4 and 8, as part of PR18. No part of this response is confidential.
2. RFG is the representative body for rail freight in the UK. We represent around 120 member companies who are active across the rail freight sector including train operators, customers, ports, terminal operators and developers, supply chain and support services. Our aim is to grow the volume of goods moved by rail in the UK.
3. RFG's members include all the Freight Operating Companies, to whom Schedules 4 and 8 most specifically apply. We expect that they will respond in detail to this consultation, and this response does not seek to capture all their comments, but focuses on a number of generic points.
4. RFG has also participated in the RDG work on charges, which included consideration of Schedules 4 and 8. As such we also note, and support, their response to this consultation, recognising that on specific elements of any regime, the views of all operators may not be the same.
5. Our comments on the consultation are as follows;
 - a. Schedules 4 and 8 perform an important element of the charging framework, compensating parties for losses incurred through disruption to normal access. Even aside from any incentive effect, these mechanisms are therefore essential to enable freight operators to effectively manage their businesses, and to compensate end customers in accordance with their commercial contracts. The regimes also have an important role in incentivising the management of performance and disruption by all parties.
 - b. The regimes do impart a significant financial risk on all parties, and care must be taken to ensure that the risk is proportionate, particularly for smaller operators. The regimes should not act as a barrier to growth.
 - c. Schedule 4 and 8 cannot be considered in isolation, but must be reviewed as part of a holistic process across all elements of the charging and incentives regime. The total affordability, and risk exposure needs to be assessed to determine whether operators can bear it, and whether overall incentives are coherent.
 - d. The risk and incentives of these regimes must be born evenly, and should incentivise both Network Rail, and the operators, to the right outcomes for all users of the network. For example, Schedule 4 should incentivise operators to co-operate in providing Network Rail with the access it needs,

but also incentivise Network Rail to keep alternative diversionary routes open at the same time.

- e. Schedules 4 and 8 should remain as national schemes, even in a more devolved Network Rail structure, to ensure that cross route performance and access is effectively facilitated, and that there is not an undue management burden on smaller operators.
 - f. Whilst we note that Schedule 4 does not always apply to major disruption events, given the increasing frequency of these due to adverse weather ORR may wish to consider whether the management and compensation for such events is appropriate.
6. ORR should seek the widest involvement from RDG and the industry in progressing these work streams as part of PR18, and RFG will be pleased to participate as appropriate in the work.