

## Response to consultation: Network Charges – A consultation on how charges can improve efficiency

**Full name:** Ralph Tiffin

**Job title:** Partner

**Organisation:** McLachlan+Tiffin

**Email:** ✕

**Contact address:** Clifton House, Craigard Road, Crieff PH7 4BN

**Telephone number:** ✕

### Instructions for Responding to the Consultation

We would appreciate it if long responses had a summary of the key response points.

#### Summary of key response points:

NO proper decisions on operations / investments / necessary support can be made without honest full access costs / charges being known.

IF there were to be any infrastructure / operator combined ownership then it would be essential to know the basis for access charges and to regulate any tax payer supported services.

### Summary of consultation questions

Chapter 1 Questions	Response
Q1. How much does Network Rail's structure of charges matter today?	Without proper charges UK rail cannot deliver value for money. Value in the form of cash flows from services and value from other economic benefits.
Q2. What issues could a new structure address?	Efficient use of the network. Network Rail having to earn its revenues and all the discipline that would bring
Q3. Can you provide examples of behaviours that would change within your organisation or elsewhere in the rail industry with an	A key is to cease the inefficient franchises for non-urban services, to cease the notion that rail has been in any way privatised – freight apart. Does the state (the DfT) know, should it dictate, what rail services are to be inefficiently run?  Realistic access charges would allow informed decisions to

improved structure of charges?	be made
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<b>Chapter 2 Questions</b>	<b>Response</b>
Q4. To what extent does the use of scenarios, in the form of the RDG 'states of the world', help to understand the likely effectiveness of future charging structures?	Commuter franchise protection is needed for economic (and no doubt political reasons) Note this does not mean the franchisees have protection – these should be 'efficient' operator franchises. Freight protection is needed  But 'protection is a dangerous word – better support – visible financial support.
Q5. Are the high-level gaps (in Figure 4) a good starting point for developing solutions? Would you have expected to see any other high-level gaps and, if so, what are they?	They are a start  As with the whole process a fundamental and rapid move to calculation of realistic, economic charges is essential
Q6. Do the assessment criteria accurately reflect the main factors we should consider for assessing the impact of options?	

<b>Chapter 3 Questions</b>	<b>Response</b>
Q7: To what extent do the packages of options represent the key strategic choices available to improve the existing charging structure?	These are reasonable bases
Q8. Would you expect the infrastructure costs package to deliver more benefits than the value-based capacity package at this stage and, if so, why?	This would seem to be a necessary precursor to a value based capacity package. And costs are fact – how they are charged out can be as subjective as you wish.  Costs are fact – value is subjective

<b>Chapter 4 Questions</b>	<b>Response</b>
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Q9. We welcome your views on our proposal to prioritise further development of the infrastructure costs package.	Get on with it – do not attempt to be unduly sophisticated  The UK can lead the way here – we have easily obtainable and cheaply processed data as never before
Q10. What costs and benefits do you see with the infrastructure costs package? Do you think our draft impact assessment is missing any significant impacts or has misrepresented any impacts?	It is VITAL  detailed impact assessments only allow excuses for no action
Q11. To what extent do you think the benefits of this package can be realised through more information, rather than through the use of charges?	Information can and will be ignored  Real money charges are cash flows.

<b>Chapter 5 Questions</b>	<b>Response</b>
Q12. We welcome your views on our proposal not to prioritise further development of options based on the value of capacity.	There is a wealth of data on capacity – you can go down to the level of passengers per train. Such knowledge would help with planning  An access charge (averaged to a degree – more subjectivity!) per passenger would be enlightening. <ul style="list-style-type: none"> <li>- commuters would have to pay for the existence 365 days a year – not simply the overcrowded train they use!</li> </ul> Value of capacity could be linked to real income with intangible benefits used as necessary
Q13. What costs and benefits do you see with the value-based capacity package? Do you think our draft <a href="#">impact assessment</a> is missing any significant impacts, or has misrepresented any impacts?	
Q14. Would you expect a better understanding of costs to be an essential precursor to value-	Absolutely

based charges?	
Q15. To what extent do you think the benefits of this package can be realised through more information alone, without passing that into charges?	Charges are real money – real risk taking franchisees could be sought – or the routes closed.

<b>Chapter 6 Questions</b>	<b>Response</b>
We welcome your views on our proposal to develop the package of improvements to current short-run charges further.	Any development is good - but time is running out – we have had 20 years of phoney rail privatisation – this needs to end or be brought under competent state control.
Q16. What options would you expect to see in a long list of improvements to Network Rail's short-run variable charges?	There must be information but just how material are many of the VUC's?
Q17. What options do you see as a priority for this package?	More disaggregation – to identify real issues that can be addressed – by accurate charging
Q18. What costs and benefits do you see with this package?	More accurate charges – clearer revenue and cash flows from and through the infrastructure owner

<b>Chapter 7 Questions</b>	<b>Response</b>
We would welcome comments on how charges might apply to open access in future. In particular, we would welcome comments on:	ALL franchise operators' trains should be charged the full economic fixed and variable costs. Especially the often wasteful short term monopoly franchises we tax payers and travellers suffer now. Support can be given for economically necessary urban systems and for freight – environmental benefits.
Q19. whether open access operators should face charges implemented under the infrastructure costs package;	Yes and also we need to know and again - what the probably inefficient and certainly anti-competitive imposed (on the public and taxpayer) franchise operations cost.

Q20. what forms of adjustments to charges might be appropriate for open access operators, relative to franchised operators;	No difference – let’s know what a journey costs
Q21. how current incumbent open access operators should be treated; and	Fairly
Q23. Would you like to see either of the complexity options developed further?	There must be better methods
Q24. Are there other options you would like assessed to reduce complexity?	Look at the numbers – some are material others not
Q25. What costs and benefits would you expect with these complexity options?	Clarity is the benefit  The fixed cost of access and separate charges for material variable costs is needed. There is enough data on rail usage – ie passengers and freight that has to or wants to move to arrive at a simply attribution of costs.

<b>Chapter 8 Questions</b>	<b>Response</b>
Q26. In chapter 8, we started to highlight issues associated with implementation of a new charging structure and potential actions to alleviate negative impacts. Do you have any views on options for implementing a new structure and what would be the impacts of these options?	The WCML or more simply the ECML should have had competing main line franchises.  A pilot scheme needs to be put in place immediately – probably of course a shadow scheme – the ECML is the simpler. Isolate commuter / long distance / freight . Study and develop a fair charging regime.  AND the western region – no new franchise but just short term operators and a charging regime developed. The workers, the passenger, freight and the taxpayer continue to be at risk unless we get a grip on the cost of rail.
Q27. We understand the structure of charges has the potential to impact different groups in different ways. In developing the options in this consultation (particularly in the draft impact assessments), have we drawn out the implications for different groups?	A visible, honest system of charges with appropriate support where deemed necessary would lead to an efficient (in the widest sense of the word) railway

Please explain your response.

**There would be a positive impact on**  
**the railway workforce**  
**the passengers**  
**the taxpayer**

If there is anything else regarding the current structure of charges that you would like to feedback to the Office of Rail and Road, please include this in your response.

### **How to respond**

We would like your views so please get in touch by responding to this consultation by **4 March 2016**. You might find it useful to use this pro forma to record your responses. Please send responses to: [Orr.Structureofcharges@orr.gsi.gov.uk](mailto:Orr.Structureofcharges@orr.gsi.gov.uk).