



PR18: Coal Spillage Charge - Draft impact assessment on abolishing the charge

December 2016

This document has been published alongside [‘Improving incentives on Network Rail and train operators: A consultation on changes to charges and contractual incentives’](#).

Policy	Charges - Coal Spillage Charge
Policy area	Abolition of Charge
Background	The Coal Spillage Charge is designed to reflect the cost to Network Rail of spilt coal on the network and to incentivise freight operators, the coal industry and the supply chain to reduce the level of coal spillage on the network.
Which of the PR18 outcomes does this charge/incentive deliver against?	Outcome: The network is better used. Description of outcome: NR and operators find ways to improve network use and accommodate new services.
Problem under consideration with the current charge/incentive <ul style="list-style-type: none">• Trends in coal: Downward trends in coal freight raise questions as to whether a charge is needed (for more information see the latest freight summary statistics published on our website www.orr.gov.uk).• Incentive Properties: There are concerns regarding the incentive properties of the charge. Specifically, there is no link between the amount of spillage and the charge (i.e. it doesn't reward activities that change the way coal is handled and limit spillages).• Size of the charge: The small size of the charge suggests that it may be disproportionate to make changes to the charge design.	
What is the scale of the issue & who is impacted? <p>This issue affects freight operators who transport coal. The charge raised £3.0m in 2014-15 and £1.2m in 2015/16. Network Rail estimate that, based on current charge rates and traffic forecasts, income raised through the Coal Spillage Charge will be approximately £0.5m p.a. in Control Period 6. Given trends in coal freight this amount is likely to fall further going forward.</p>	

Options to be considered	
Option 0: Do nothing	<ul style="list-style-type: none"> This option is to keep the current charge as it is.
Option 1: Abolish the Charge	<ul style="list-style-type: none"> This option is to abolish the charge.
Assessment of options	
Abolish the charge	<ul style="list-style-type: none"> Removing the charge will simplify the administrative burden on operators. The charge raises only small amounts. This amount is likely to decrease going forward raising questions as to whether keeping the charge is appropriate. Redesigning the charge to refine its incentive properties is likely to be disproportionate given the small size of the charge and the trends in coal freight. Abolishing the charge would increase the Network Grant and/or fixed charges (by an amount equal to the future income from the charge).
Recommendation	<ul style="list-style-type: none"> That the coal spillage charge be abolished.
Next Steps	
<ul style="list-style-type: none"> Network Rail has indicated they would like to explore an option to add a contractual mechanism in operators' track access contracts that would allow clean-up costs to be recovered from operators when spillages occur – providing there is evidence to indicate who is responsible. This could be applied to spillage of any commodity. For example, they have identified sand spillage to be an issue. 	



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