

1 December 2021

Dear stakeholder,

Decision on regulating the fixed element of the stations qualifying expenditure charge for CP7

This letter sets out a decision on the stations qualifying expenditure (QX) charge. I bring this to your attention now, rather than in our next PR23 consultation on Network Rail's access charges (which we expect to publish in spring 2022), as making changes to this charge would require a lengthy implementation period.

In July 2021, ORR published its 'PR23 – review of Network Rail's access charges' technical consultation (accessible [here](#)) setting out a number of initial proposals for further consideration. This included Network Rail's proposal for ORR to regulate the fixed element of the QX for managed stations. In this consultation, we invited stakeholders to give their views on the merits of Network Rail's proposal. We also said that we would provide an update to industry when appropriate.

The responses we received to our consultation were mixed. Several train operators (TOCs) expressed support for Network Rail's proposal, citing the potential for increased transparency around the QX and the streamlining of the process for determining the level of the fixed element of the charge. Other TOCs argued that they are better placed to determine the most appropriate outcomes for passengers at stations, with their input potentially reduced under the proposal.

We took account of all responses when assessing the impact (relative to the status quo, where the fixed element of the QX for a managed station is agreed between Network Rail and TOCs by negotiation) of ORR expanding its regulation to this charge on:

- value for money at stations;
- service quality for passengers; and
- the simplification of the process for determining the level of the charge.

We also considered the direction and potential effects of rail reform, although we acknowledge the uncertainty around this.

Our conclusion was that the loss of local input in determining the level of the charge and service quality at stations outweighs the modest and uncertain potential savings to industry overall in terms of administrative effort (especially as rail reform could reduce the scale of negotiations in future). Also, ORR starting to regulate another charge would be inconsistent with our overall approach to charges for PR23, which focuses on incremental improvements.

Furthermore, we consider there to be more straightforward ways of improving the process by which the fixed element of the QX is determined that should first be considered. For example, amendments to station access conditions could be explored, such as setting a fixed timeline for negotiations after which dispute resolution processes are automatically initiated. It may also be possible to re-consider the cost categories that form the fixed element of the QX, moving some of these into another appropriate charge could reduce the scope of negotiations, thus the administrative burden on Network Rail. Additionally, ORR will consider making greater use of monitoring and reporting to highlight the condition of stations (i.e. how clean or well maintained they are) to encourage an improved quality of service for the passengers using them.

Taking these factors into account, our decision is to retain the status quo for CP7, where the fixed element of the QX is agreed between Network Rail and TOCs, instead of becoming a regulated charge.

We will continue to work with Network Rail and other stakeholders to improve the process for determining the fixed element of the QX. We are especially keen on improving the transparency of the charge and ask Network Rail to publish the total QX charge amounts for every managed station. This was one of our PR18 [conclusions](#) that has yet to be implemented by Network Rail.

Yours sincerely,

A handwritten signature in black ink that reads "Carl Hetherington".

Carl Hetherington