

PR18: Schedule 4 and 8 Re-calibration Working Group Meeting 2

Note of the freight operator Re-calibration Working Group meeting held on 27 February 2017 at ORR's London offices

The purpose of the note

1. This note summarises the actions and key decisions agreed in the freight operator meeting of the Schedule 4 and 8 Re-calibration Working Group (hereafter: the Working Group) meeting held on 27 February 2017.
2. In the meeting we discussed: freight operator concerns about 'balance' in the freight Schedule 8 regime, the re-calibration of the Network Rail and operator payment rates in freight Schedule 8 and topics for discussion in the next freight Working Group meeting.
3. The slides ORR presented in the meeting are available on the ORR website¹.

Balance in the freight Schedule 8 regime

4. Points of clarification

- ORR set out its view that there is no reason to expect that Schedule 8 payments between Network Rail and freight operators will be equal if both parties deviate from their benchmarks by the same amount (as shown on slides 7 and 9), including where neither party causes delay.

5. Concerns raised

- Some operators raised the concern that despite an improvement in their performance in CP5, due to significant investment by freight operators, their net Schedule 8 payments have continued to increase. It was suggested that part of the reason for this increase in Schedule 8 payments is the lack of control they have over the number of delay minutes per incident they cause. Freight operators suggested that Network Rail may make less effort to minimise freight operator caused delays, compared to those cause by Network Rail.

¹ http://www.orr.gov.uk/_data/assets/pdf_file/0008/24596/freight-schedule-8-recalibration-payment-rates-in-the-freight-regime-february-2017.pdf

6. **Actions**

- **Operators** to send ORR a list of incidents that they believe can result in delay minutes being attributed to freight operators when they are not primarily responsible for the delay (examples given in the meeting include: 'off network' delays and 'after rest' delays).
- **ORR** to investigate whether Network Rail treats delays it causes differently to delays caused by operators.

Network Rail delay and cancellation payment rate in the freight Schedule 8 regime

7. **Points of agreement**

- The Working Group broadly agreed that the current Network Rail payment rates will likely need updating to ensure they reflect the financial impact of delays and cancellations on freight operators in CP6.
- The Working Group acknowledged that there is a trade-off between the accuracy and complexity of the regime. The Working Group agreed that on balance it is preferable to have a relatively simple regime rather than a more accurate but complex one.

8. **Points of clarification**

- ORR confirmed it does not plan to contribute towards the cost of updating the evidence base for freight operator payment rates. ORR expects this work to be funded by industry – as is currently being done by passenger operators and Network Rail in the work to update the Passenger Demand Forecasting Handbook (PDFH).

9. **Concerns raised**

- Operators raised concerns that re-calibrating these rates could prove difficult in terms of funding the work and sharing confidential information.

10. **Actions**

- **RDG** to confirm if the RDG Board paper seeking approval to fund the Schedule 8 re-calibration work includes funding for the evidence for the Network Rail payment rates within the freight Schedule 8 regime.
- **ORR** to review L.E.K. work that was funded by freight operators in PR13 to see if it could be used in PR18.

- **Operators** to give Network Rail their contact for the work done for the Industry Access Plan (IAP).
- **Network Rail** to speak to the freight contact within Network Rail and find out more about the IAP.
- **ORR** to circulate a template for freight operators to complete their list of financial impacts of delays and cancellations.
- **Operators** to complete the template. The information provided should show, where possible, whether each impact relates to costs or revenues along with an indicative classification of whether the impacts arise more in the short or long term. The list need not contain any quantitative information on the size of each impact. **Each freight operator should submit their list to ORR by the end of March.**

Freight operator payment rate

11. Concerns raised

- Freight operators are concerned that the payment rates in the passenger Schedule 8 regime will increase again in CP6, which would increase the freight operator payment rate.
- Freight operators also explained they have a limited understanding of how the payment rates in the passenger regime are calculated.
- Freight operators noted that it was important to have clarity on the level of the freight operator payment rates as soon as possible, to provide certainty for CP6.

12. Points of clarification

- ORR noted that the Freight operator payment rates will ultimately be determined by the work to estimate the impacts of delay on passenger and freight operators.

13. Actions

- **ORR** to coordinate a teach-in session for freight operators on the calculation of the payment rates in the passenger Schedule 8 regime.

Forward agenda

14. Points of agreement:

- It was agreed that Schedule 8 benchmarks would be discussed at the next freight re-calibration Working Group meeting.

FINAL VERSION

- The Working Group also agreed to discuss the payment rates and triggers in the freight Schedule 4 regime along with the issue of services being impacted by more than one possession.

15. Action

- **All Working Group members** to contact ORR if they would like to discuss anything in particular in relation to the topics agreed for the next Working Group meeting.

Attendees

Name	Organisation
Greg March	Colas
Nigel Oatway	DBC UK
Bethan Stokes	DfT
Melissa Smith	DfT
Norman Egglestone	DRS
Lindsay Durham	Freightliner
Peter Graham	Freightliner
Alexis Streeter	Network Rail
Ben Worley	Network Rail
Bill Davidson	RDG
Deren Olgun	ORR
Yasmine Ghozzi	ORR
Joel Moffat	ORR
Sheona Mackenzie	ORR